83d Congress, 1st Session - - - - - - - - - - House Document No. 83-239, Vol. I
83d Congress, 2d Session - - - - - - - - - - House Document No. 83-509, Vol. I
84th Congress, 1st Session - - - - - - - - - - House Document No. 84-235, Vol. I

Foreign Relations of the United States 1952–1954

Volume I

General: Economic and Political Matters

(in two parts)

Part 2

DEPARTMENT OF STATE
UNITED STATES OF AMERICA

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United States
Government Printing Office
Washington 1983

17920-3

DEPARTMENT OF STATE PUBLICATION 9367
Office of the Historian
Bureau of Public Affairs

PREFACE

The publication *Foreign Relations of the United States* constitutes the official record of the foreign policy of the United States. The volumes in the series include, subject to necessary security considerations, all documents needed to give a comprehensive record of the major foreign policy decisions of the United States together with appropriate materials concerning the facts which contributed to the formulation of policies. Documents in the files of the Department of State are supplemented by papers from other government agencies involved in the formulation of foreign policy.

The basic documentary diplomatic record printed in the volumes of the series *Foreign Relations of the United States* is edited by the Office of the Historian, Bureau of Public Affairs, Department of State. The editing is guided by the principles of historical objectivity and in accordance with the following official guidance first promulgated by Secretary of State Frank B. Kellogg on March 26, 1925.

There may be no alteration of the text, no deletions without indicating where in the text the deletion is made, and no omission of facts which were of major importance in reaching a decision. Nothing may be omitted for the purpose of concealing or glossing over what might be regarded by some as a defect of policy. However, certain omissions of documents are permissible for the following reasons:

> *a.* To avoid publication of matters which would tend to impede current diplomatic negotiations or other business.
>
> *b.* To condense the record and avoid repetition of needless details.
>
> *c.* To preserve the confidence reposed in the Department by individuals and by foreign governments.
>
> *d.* To avoid giving needless offense to other nationalities or individuals.
>
> *e.* To eliminate personal opinions presented in despatches and not acted upon by the Department. To this consideration there is one qualification—in connection with major decisions it is desirable, where possible, to show the alternative presented to the Department before the decision was made.

Documents selected for publication in the *Foreign Relations* volumes are referred to the Department of State Classification/Declassification Center for declassification clearance. The Center reviews the documents, makes declassification decisions, and obtains the clearance of geographic and functional bureaus of the Department of State, as well as of other appropriate agencies of the government. The Center, in coordination with the geographic bureaus of the Department of State, conducts communications with foreign governments regarding documents or information of those governments proposed for inclusion in *Foreign Relations* volumes.

Fredrick Aandahl supervised the initial planning of this volume. William Z. Slany, his successor as General Editor of the *Foreign Relations* series, directed the process of compilation, review, and editing, with the assistance of Ralph R. Goodwin and N. Stephen Kane. John P. Glennon and Paul Claussen provided subsequent review and were responsible for the final stages of publication.

The following members of the Office of the Historian prepared sections of this volume: N. Stephen Kane (general foreign economic policy, international monetary and financial policy, transportation and communication policy); William F. Sanford, Jr. (international trade and commercial policy, foreign investment and economic development); Lisle A. Rose (foreign policy aspects of administrative transition, foreign assistance policies under the Mutual Security Program, Congressional loyalty and security investigations, Antarctica); David M. Baehler (economic defense); Ronald D. Landa (antitrust legislation, the Bricker Amendment); Herbert A. Fine (law of the sea); and Ilana M. Stern (immigration and migration). David H. Stauffer and, at a later stage, Nina J. Noring assisted in the clearance of this volume. Carmen Medina and Bret D. Bellamy provided research assistance and support.

Rita M. Baker of the Publishing Services Division (Paul M. Washington, Chief) performed the technical editing of this volume under the supervision of Margie R. Wilber. The index was prepared by the Twin Oaks Indexing Collective.

WILLIAM Z. SLANY
The Historian
Bureau of Public Affairs

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A list of principal sources used in the preparation of this volume follows, with information concerning their origin and scope.

Files of the Department of State

A/MS Files, Lot 54 D 291

Consolidated administrative files of the Department of State for the years 1940–1960, as maintained by the Management Staff of the Bureau of Administration.

Camp Files, Lot 55 D 105

Special collection of documentation on European political and economic integration for the period 1948–1953, including important correspondence between officers of the Department of State and the White House staff and Congress, as maintained by Miriam Camp of the Office of European Regional Affairs.

Conference Files, Lot 60 D 627

Collection of documentation on official visits by heads of government and foreign ministers to the United States and on major international conferences attended by the Secretary of State for the period 1953–1955, as maintained by the Executive Secretariat of the Department of State. The file is a continuation of Lot 59 D 95.

Consular Affairs Files

Files of the Office of Security and Consular Affairs for the period 1946–1953, including general administrative records, consular management files, and miscellaneous subject files of the divisional components of the Office. These files were retired as part of Federal Records Center Accession No. 71A 2100.

Current Economic Developments, Lot 70 D 467

Master set of the Department of State classified internal publication *Current Economic Developments* for the years 1945–1969, as maintained in the Bureau of Economic Affairs. These records form part of Federal Records Center Accession No. 72A 6248, item 54.

Disarmament Files, Lot 58 D 133

Consolidated collection of documentation in the Department of State on the regulation of armaments and disarmament for the years 1942–1962.

ECA-MSA Assistant Administrator Files, FRC 55 A 374

Subject and country files consisting of correspondence, memoranda, field communications, committee documents, and budget and program papers, as maintained by the Office of the Assistant Administrator for Program, for the years 1948-1953. These files were retired by the Foreign Operations Administration and form part of Federal Records Center Accession No. 55 A 374.

ECA-MSA Director's Files, FRC 55 A 79

Bulky package file of material too large for the regular files, including drafts, reports, and briefing books for the period 1950-1953. These files were retired by the Foreign Operations Administration and form part of Federal Records Center Accession No. 55 A 79.

ECA-MSA Director's Files, FRC 55 A 79

Congressional file of correspondence and related material prepared or used in handling Congressional inquires. These files were retired by the Foreign Operations Administration and form part of Federal Records Center Accession No. 55 A 79.

ECA-MSA Director's Files, FRC 55 A 79

Country file of correspondence, memoranda, reproduced documents, cables, and airgrams pertaining to the administration of the Mutual Security Program for the years 1950-1953. These files were retired by the Foreign Operations Administration and form part of Federal Records Center Accession No. 55 A 79.

ECA-MSA Director's Files, FRC 55 A 79

Name file of correspondence and memoranda. These files were retired by the Foreign Operations Administration and form part of Federal Records Center Accession No. 55 A 79.

ECA-MSA Director's Files, FRC 55 A 79

Subject file of correspondence, memoranda, reproduced documents, administrative issuances, and related papers pertaining to the administration of the Mutual Security Program for the years 1950-1953. These files were retired by the Foreign Operations Administration and form part of Federal Records Center Accession No. 55 A 79.

ECA-MSA-FOA Executive Secretariat Files, FRC 56 A 241

Master file of agency and interagency committee document series, budget presentation and briefing books, and other materials retained for use by the Director's office, for the years 1948-1954. These files were retired by the Foreign Operations Administration and form part of Federal Records Center Accession No. 56 A 241.

ECA-MSA-FOA Files, FRC 55 A 374

Master file of incoming and outgoing FOA and Department of State Eyes Only telegrams for the period August 1949-June 1954. These files were retired by the Foreign Operations Administration and form part of Federal Records Center Accession No. 55 A 374.

ECA-MSA Special Representative's Files, FRC 57 A 709

General subject and country files of the European Regional Office at Paris, for the years 1950-1953, including correspondence, memoranda, cables, OEEC documents, and other country general program information on projects, commodities, and transportation. These files were retired by the International Cooperation Administration and form part of Federal Records Center Accession No. 57 A 709.

Economic Defense Files, Lot 59 D 665

Minutes and documents relating to the interagency Economic Defense Advisory Committee, the Coordinating Committee on export controls, the COCOM Consultative Group, and various other organizations concerned with export controls for the years 1950–1959, as maintained by the EDAC Executive Secretarist, Mutual Defense Assistance Control Staff, Bureau of Economic Affairs.

EUR/EX Files, Lot 57 D 694

Files of the Office of the Executive Director of the Bureau of European Affairs, 1948–1953, relating to foreign assistance and the Mutual Security Program, including action and information copies of letters, memoranda, telegrams, and instructions.

FOA Files, FRC 55 A 374

Master file of incoming and outgoing FOA airgrams for the period 1953–June 1954. These files were retired by the Foreign Operations Administration and form part of Federal Records Center Accession No. 55 A 374.

FOA Files, FRC 55 A 374

Master file of incoming FOA cables from the field missions and USRO for the years 1953–1954. These files were retired by the Foreign Operations Administration and form part of Federal Records Center Accession No. 55 A 374.

FOA Files, FRC 55 A 374

Master file of incoming FOA despatches and reports for the period July 1952–April 1954. These files were retired by the Foreign Operations Administration and form part of Federal Records Center Accession No. 55 A 374.

GATT Files, Lot 59 D 563

Subject files containing policy papers and briefing materials relating to international economic conferences, foreign economic policy studies, and European economic integration for the years 1952–1959, as maintained by the Office of International Trade.

GATT Files, Lot 63 D 134

File of GATT documents for Sessions VI–IX of the Contracting Parties, 1951–1955, including the GATT Review Session in 1955. These records form part of Federal Records Center Accession No. 65 A 987.

GATT Files, Lot 66 D 209

Documents relating to Sessions V–IX of GATT, 1949–1957. These records form part of Federal Records Center Accession No. 71 A 6682.

Hickerson-Murphy-Key Files, Lot 58 D 33

Files of Assistant Secretaries of State for United Nations Affairs John D. Hickerson, Robert D. Murphy, and David McK. Key for the years 1948–1954.

INR Files, Lot 59 D 27

Miscellaneous files for the years 1948–1954 as retired by the Bureau of Intelligence and Research, including the master file of minutes of the Intelligence Advisory Committee (IAC).

INR–NIE Files

Files of National Intelligence Estimates, Special Estimates, and Special National Intelligence Estimates, retained by the Directorate for Regional Research, Bureau of Intelligence and Research.

International Trade Files, Lot 57 D 284

Comprehensive collection of files on commercial trade policy, the question of an international trade organization, and the negotiation, conclusion, and operation of the General Agreement on Tariffs and Trade, assembled and maintained in various economic offices of the Department of State during the years 1934–1956. These records form part of Federal Records Center Accession No. 65 A 987.

IO Files, Lot 71 D 440

Master files of classified records and correspondence of United States Delegations to sessions of the U.N. General Assembly for the years 1945–1965, maintained by the Bureau of International Organization Affairs.

Jessup Files, Lot 53 D 65

Files of Ambassador Philip Jessup on the Sixth and Seventh Sessions of the U.N. General Assembly, and other related records. These records form part of Federal Records Center Accession No. 64 A 987.

L/SFP Files, Lot 67 D 466

Files of the Special Functional Problems Division of the Office of the Legal Adviser concerning visa, immigration and passport regulations, cases, and legislation from 1940 to 1961. These files were retired as part of Federal Records Center Accession No. 69 A 6308.

L/SPF Files, Lot 68 D 47

Files of the Office of the Assistant Legal Adviser for Special Political Functions.

L/T Files

Files relating to the Bricker Amendment and the issue of proposals to limit the executive branch's treatymaking powers, 1950–1962, as maintained in the Office of the Assistant Legal Adviser for Treaty Affairs.

MSA–FOA Congressional Files, FRC 57 A 709

Files of the Office of the Deputy Director for Congressional Relations, including letters, memoranda, reports, testimony, and other papers related to the foreign economic program, for the years 1953–1954. These files were retired by the International Cooperation Administration and form part of Federal Records Center Accession No. 57 A 709.

MSA–FOA Director's Files, FRC 56 A 632

General subject and country file from the Office of the MSA–FOA Director covering all aspects of the foreign aid program for the years 1952–1955. These files were retired by the International Cooperation Administration and form part of Federal Records Center Accession No. 56 A 632.

Mutual Security Affairs Files, Lot 56 D 551

Country, subject, and legislative files on various aspects of the Mutual Security Program for the years 1954–1956, maintained for the use of the Special Assistant for Mutual Security Affairs (Frederick E. Nolting and Robert C. Hill).

Mutual Security Affairs Files, Lot 57 D 472

Subject and country files relating to the Mutual Security Program in Southeast Asia for the period 1950–1952, including International Security Affairs Committee (ISAC) documents, as maintained by the Office of the Special Assistant for Mutual Security Affairs. The bulk of these files form part of Federal Records Center Accession No. 64 A 867.

Mutual Security Affairs Files, Lot 57 D 567

Subject and country files relating to the Mutual Security Program primarily in the Far East and Southeast Asia for the period 1953–1957, as maintained by the Office of the Special Assistant for Mutual Security Affairs.

NAC Files, Lot 60 D 137

Master file of documents of the National Advisory Council on International Monetary and Financial Problems for the years 1945–1958, as maintained by the Bureau of Economic Affairs of the Department of State.

P-NSC Files, Lot 62 D 385

Selected serial documentation relating to the National Security Council for the years 1947–1965, as maintained by the Bureau of Public Affairs.

PPS Files, Lot 64 D 563

Master file of documents, drafts, records of meetings, memoranda, and related correspondence for the years 1947–1953 of the Policy Planning Staff.

PPS Files, Lot 65 D 101

Master file of documents, drafts, records of meetings, memoranda, and related correspondence for the year 1954 of the Policy Planning Staff.

Presidential Correspondence, Lot 66 D 204

Exchange of correspondence between the President and the heads of foreign governments for the years 1953–1964, as maintained by the Executive Secretariat of the Department of State.

PSB Files, Lot 62 D 333

Master file of minutes and papers of the Psychological Strategy Board for the years 1951–1953, as maintained by the Executive Secretariat of the Department of State.

Sandifer Files, Lot 55 D 429

Files of Deputy Assistant Secretary of State for United Nations Affairs Durward V. Sandifer for the years 1944–1953.

SCA Files, Lot 62 D 146

Subject files of the Office of Security and Consular Affairs for the period 1953–1960. These files were retired as part of Federal Records Center Accession No. 69 A 6308.

Secretary's Daily Meetings, Lot 58 D 609

Chronological collection of the records of the Secretary of State's daily meetings with top Department of State officials for the years 1949–1952, as maintained by the Special Assistant to the Secretary of State.

Secretary's Letters, Lot 56 D 459

Correspondence of the Secretary of State for the years 1945–1956, as maintained by the Executive Secretariat of the Department of State.

Secretary's Memoranda, Lot 53 D 444

Comprehensive chronological collections of the Secretary of State's memoranda, memoranda of conversation, and memoranda of conversation with the President for the years 1947–1953, as maintained by the Executive Secretariat of the Department of State.

Secretary's Memoranda of Conversation, Lot 65 D 238

Chronological collections of the Secretary of State's memoranda of conversation with the President for the years 1949–1952, memoranda of the Secretary and Under Secretary of State for the years 1951–1952, and the Secretary of State's memoranda of conversation with Senator Tom Connally of Texas for the years 1950–1951, as maintained by the Executive Secretariat of the Department of State.

Secretary's Staff Meetings, Lot 63 D 75

Chronological collections of the minutes of the Secretary of State's daily staff meetings which were held twice a week during the years 1952–1960, as maintained by the Executive Secretariat of the Department of State.

S/P-NSC Files, Lot 61 D 167

Serial file of memoranda relating to National Security Council questions for the years 1950–1961, as maintained by the Policy Planning Staff.

S/P-NSC Files, Lot 62 D 1

Serial and subject master file of National Security Council documents and correspondence for the years 1950–1961, as maintained by the Policy Planning Staff.

S/S-NSC Files, Lot 63 D 351

Serial master file of National Security Council documents and correspondence and related Department of State memoranda for the years 1947–1961, as maintained by the Executive Secretariat of the Department of State.

S/S-NSC Files, Lot 66 D 148

Miscellaneous files concerning subjects considered by the National Security Council during the period 1949–1962, as maintained by the Executive Secretariat of the Department of State.

S/S-NSC (Miscellaneous) Files, Lot 66 D 95

Administrative and miscellaneous National Security Council documentation, including NSC Records of Action, as maintained by the Executive Secretariat of the Department of State for the years 1947–1963.

S/S–OCB Files, Lot 61 D 385

Master set of administrative and country files of the Operations Coordinating Board for the years 1953–1960, as maintained in the Operations Staff of the Department of State.

S/S–OCB Files, Lot 62 D 430

Master files of the Operations Coordinating Board for the years 1953–1960, as maintained by the Executive Secretariat of the Department of State.

UNP Files, Lot 58 D 742

Miscellaneous subject files of the Office of United Nations Political and Security Affairs for the years 1945–1957.

UNP Files, Lot 59 D 237

Subject files of the Office of United Nations Political and Security Affairs for the years 1946–1957.

U.S. Information Agency files

USIA Files, Lot 56 D 581

General subject files concerning programs and operations of the U.S. Information Agency for the period 1948–1955, including records on the overseas information program and the McCarthy hearings. These records were retired by the U.S. Information Agency and form part of Federal Records Center Accession No. 61 A 502.

Other U.S. Government agency files

Federal Trade Commission, Bureau of Industrial Economics Files

Files relating to the international petroleum cartel, 1950–1957.

National Archives, SFRC Records

Records of the Senate Foreign Relations Committee, 1789–1976.

Harry S. Truman Library, Independence, Missouri

Truman Library, Acheson Papers

Papers of Dean Acheson, 1933–1971.

Truman Library, Murphy Papers

Papers of Charles S. Murphy, 1947–1967.

Truman Library, Spingarn Papers

Papers of Stephen J. Spingarn, 1933–1972.

Truman Library, Truman Papers, President's Secretary's File (PSF)

Papers of Harry S. Truman as President, 1945–1953, maintained by his personal secretary.

Truman Library, White House Central Files

Papers of Harry S. Truman as President, 1945–1953, from the Central Files of the White House.

Dwight D. Eisenhower Library, Abilene, Kansas

Eisenhower Library, Dulles Papers

Papers of John Foster Dulles, 1952–1959.

Eisenhower Library, Eisenhower Records

Records of Dwight D. Eisenhower as President, daily appointment books, 1953-1961.

Eisenhower Library, Hagerty Papers

Papers of James C. Hagerty, Press Secretary to the President, 1953–1961.

Eisenhower Library, Randall Commission Records

Records of the President's Commission on Foreign Economic Policy (Randall Commission), 1953–1954.

Eisenhower Library, Staff Secretary Records

Records of the Office of the Staff Secretary in the White House, 1952–1961, including the records of Paul T. Carroll. Andrew J. Goodpaster, L. Arthur Minnich, Jr., and Christopher T. Russell.

Eisenhower Library, White House Central Files

Records of Dwight D. Eisenhower as President, White House Central Files, 1953–1961.

Eisenhower Library, Whitman File

Papers of Dwight D. Eisenhower as President, 1953–1961, maintained by his personal secretary, Ann C. Whitman. The Whitman File includes the following elements: the Name Series, Dulles-Herter Series, Eisenhower Diaries, Ann Whitman (ACW) Diaries, National Security Council Records, Miscellaneous Records, Cabinet Papers, Legislative Meetings, International Meetings, Administration Series, and the International File.

Columbia University, New York, New York

Columbia University, Oral History Program

Oral History Program at Columbia University.

Cornell University, Ithaca, New York

Cornell University, Oral History Program

Oral History Program at Cornell University.

Ohio Historical Society, Bricker Papers

Papers of John W. Bricker, 1939–1959, including materials pertaining to his service as U.S. Senator from Ohio, 1947–1958 and particularly to the Bricker Amendment.

Princeton University, Princeton, New Jersey

Princeton University, Corwin Papers

Papers of Samuel Edward Corwin, Professor of Jurisprudence at Princeton University, including files related to his service 1953–1956, as chairman of the Committee for the Defense of the Constitution, an organization opposed to the Bricker Amendment.

Princeton University Library, Dulles Papers, Appointment Book

Daily log of Secretary of State Dulles' meetings and appointments for the years 1953–1959.

Princeton University Library, Phleger Collection

Material collected by Herman Phleger, Legal Advisor of the Department of State, relating to the Bricker Amendment and the treatymaking power of the United States, 1952–1956.

LIST OF ABBREVIATIONS AND SYMBOLS

Editor's Note—This list does not include standard abbreviations in common usage; unusual abbreviations of rare occurrence which are clarified at appropriate points; and those abbreviations and contractions which, although uncommon, are understandable from the context.

A, Office of the Assistant Secretary of State for Administration
A/, series indicator for documents of the General Assembly of the United Nations
A/C.6/L, series indicator for documents of the Sixth Committee of the General Assembly of the United Nations
A/CN.4, series indicator for documents of the International Law Commission of the General Assembly of the United Nations
A/MS, Management Staff, Bureau of Administration, Department of State
ACEP, Advisory Committee on Export Policy
AEC, Atomic Energy Commission
A.F. of L., American Federation of Labor
AG, Attorney General
AIOC, Anglo-Iranian Oil Company
AMC, Additional Measures Committee of the United Nations (for prosecution of the Korean war)
AMP, additional military production
AOA, American Overseas Airlines
AR, Annual Review (of North Atlantic Treaty Organization force levels and goals)
AR, Office of Regional American Affairs, Department of State
ARA, Bureau of Inter-American Affairs, Department of State
ARAMCO, Arabian American Oil Company
AV, Aviation Policy Staff, Department of State
B.A., Bricker Amendment
B/D, barrels (of oil) per day
BL, Black List (an export control measure)
BNA, Office of British and Northern European Affairs, Bureau of European Affairs, Department of State
BOB, Bureau of the Budget
BOP, balance of payments
BOT, Board of Trade (British)
C, Office of the Counselor, Department of State
CA, circular airgram
CA, Office of Chinese Affairs, Department of State
CAA, Civil Aeronautics Administration
CAB, Civil Aeronautics Board
CB, Companion of the Bath (British)
CBE, Order of the British Empire
CEA, Council of Economic Advisers
CF, Conference folder
CFEP, Commission on Foreign Economic Policy (Randall Commission)
CFEP, Council on Foreign Economic Policy
CG, Coast Guard
CG/COCOM (CG/CO.COM), Coordinating Committee of the Paris Consultative Group of nations working to control export of strategic goods to Communist countries
CHINCOM, China Committee, a permanent working group of the Paris Consultative Group of nations working to control export of strategic goods to Communist countries
CIA, Central Intelligence Agency
C.I.O., Congress of Industrial Organizations
circagam, circular airgram
cirtel, circular telegram
CMC, Collective Measures Committee, United Nations
CMG, Companion of St. Michael and St. George (British)
COCOM, Coordinating Committee on export controls, located in Paris
COD, cash on delivery
CP, Commercial Policy Staff, Bureau of Economic Affairs, Department of State

CP, Contracting Party to GATT
CSAGI, *Comité Spécial de l'Anée Géophysique Internationale* (Special Committee on the International Geophysical Year)
CSC, Coal and Steel Community
CY, calendar year
D, member of the Democratic Party in the United States
Dem, Democrat; Democratic Party
Depcirctel, circular telegram originating in the Department of State
DepSecDef, Deputy Secretary of Defense
Dept, Department (usually the Department of State)
Deptel, Department of State telegram
DMB, Defense Mobilization Board
DMS, Director of Mutual Security
DOD, Department of Defense
DOT, dependent overseas territory
DSA, Defense Shipping Authority
DSO, Companion of the Distinguished Service Order (British)
Dulte, series indicator for telegrams from Secretary of State Dulles while away from Washington
E, Bureau of Economic Affairs, Department of State
ECA, Economic Cooperation Administration
ECE, Economic Commission for Europe
ECOSOC, Economic and Social Council of the United Nations
ED, Investment and Economic Development Staff, Office of Financial and Development Policy, Department of State
EDAC, Economic Defense Advisory Committee
EDC, European Defense Community
EDT, Office of Economic Defense and Trade Policy, Department of State
EE, Office of Eastern European Affairs, Department of State
Embdes, Embassy despatch
EPU, European Payments Union
ERP, European Recovery Program
EUR, Bureau of European Affairs, Department of State
EUR/RA, Office of European Regional Affairs, Bureau of European Affairs, Department of State
E–W, East-West
EWT, East-West Trade
Excon, series indicator for telegrams, airgrams, and despatches dealing with export controls
Exim (Eximbank), Export-Import Bank of Washington
FAO, Food and Agriculture Organization of the United Nations
FBO, Division of Foreign Buildings Operations, Department of State
FCC, Federal Communications Commission
FCN, Friendship, Commerce, and Navigation (treaty)
FE, Bureau of Far Eastern Affairs, Department of State
FOA, Foreign Operations Administration
FTC, Federal Trade Commission
FY, fiscal year
GA, General Assembly of the United Nations
GATT, General Agreement or Tariffs and Trade
GNP, gross national product
GOP, Grand Old Party, Republican Party
H, Office of the Assistant Secretary of State for Congressional Relations
HICOG, United States High Commissioner for Germany
H.J. Res., House of Representatives Joint Resolution
HMG, His (Her) Majesty's Government
H.R., designation for legislation introduced in the House of Representatives
IAC, Intelligence Advisory Committee
IBRD, International Bank for Reconstruction and Development (commonly known as the "World Bank")
IC, Division of International Conferences, Department of State
ICAO, International Civil Aviation Organization
ICCTU, International Confederation of Christian Trade Unions
ICDV (IC/DV), Import Certificate and Delivery Verification
Ice, Iceland
ICEM, Intergovernmental Committee for European Migrants
ICFTU, International Confederation of Free Trade Unions
I.C.J. (ICJ), International Court of Justice
IDAB, International Development Advisory Board
IFC, International Finance Corporation
IGY, International Geophysical Year
IIA, International Information Agency
IIAA, Institute of Inter-American Affairs

ILC, International Law Commission of the United Nations General Assembly
ILO, International Labor Organization
IMF, International Monetary Fund
INR, Bureau of Intelligence and Research, Department of State
IRO, International Refugee Organization
ITO, International Trade Organization
IWG, Intelligence Working Group (of the Economic Defense Advisory Committee)
JCS, Joint Chiefs of Staff
L, Office of the Legal Adviser, Department of State
L/E, Office of the Assistant Legal Adviser for Economic Affairs, Department of State
L/SFP, Office of the Assistant Legal Adviser for Special Functional Problems, Department of State
L/T, Office of the Assistant Legal Adviser for Treaty Affairs, Department of State
MAAC, Military Assistance Advisory Committee
MAAG, Military Assistance Advisory Group
MAP, Military Assistance Program
MDA, Mutual Defense Assistance
MDAP, Mutual Defense Assistance Program
ME, Middle East
MEA, Middle East Airlines Company
MEDO, Middle East Defense Organization
MFN, most favored nation
MSA, Mutual Security Agency; Mutual Security Act
MSP, Mutual Security Program
MSTS, Military Sea Transport Service
MTSAC, Mutual Trade Security Advisory Committee
MWM, metalworking machinery
NA, Office of Northeast Asian Affairs, Bureau of Far Eastern Affairs, Department of State
NAC, National Advisory Council on International Monetary and Financial Problems
NAT, North Atlantic Treaty
NATO, North Atlantic Treaty Organization
NE, Office of Near Eastern Affairs, Department of State
NEA, Bureau of Near Eastern, South Asian, and African Affairs, Department of State
NGRC, National Government of the Republic of China
niact, night action, communications indicator requiring attention by the recipient at any hour of the day or night
NIE, National Intelligence Estimate
NSC, National Security Council
NSRB, National Security Resources Board
O/FE, Office of Far Eastern Operations, Foreign Operations Administration
OAS, Organization of American States
O.B.E., Officer Order of the British Empire
OBF, Office of Budget and Finance, Department of State (to June 1953)
OCB, Operations Coordinating Borad
ODM, Office of Defense Mobilization
ODMS, Office of the Director of Mutual Security
OEEC, Organization for European Economic Cooperation
OFD, Office of Financial and Development Policy, Department of State
OIR, Office of Intelligence Research, Department of State
OIR/GE, Special Adviser on Geography, Office of Intelligence Research, Department of State
OIT, Office of International Trade, Department of Commerce
OMP, Office of International Materials Policy, Department of State
OSD, Office of the Secretary of Defense
OSP, offshore procurement
P, Bureau of Public Affairs, Department of State
PAA, Pan American World Airways, Inc.
PAB, Public Advisory Board for Mutual Security
PAC, Permanent Agricultural Committee (of ILO)
PAD, Petroleum Administration for Defense
PBOS, Planning Board for Ocean Shipping, NATO
PC, participating country (in COCOM)
PED, Petroleum Policy Staff, Bureau of Economic Affairs, Department of State
PIC, Public Information Committee
PICMME, Provisional Intergovernmental Committee for the Movement of Migrants from Europe
PL, Public Law

POC, Psychological Operations Coordinating Committee (to September 1953)
POL, petroleum, oil, lubricants
Polto, series indicator for telegrams from the United States Permanent Representative at the North Atlantic Council
Pres, President
PSA, Office of Philippine and Southeast Asian Affairs, Bureau of Far Eastern Affairs, Department of State
PSB, Psychological Strategy Board
PSF, President's Secretary's Files
QC, quantitative controls
QR, quantitative restrictions
R, member of the Republican Party in the United States
R, Office of the Special Assistant for Intelligence, Department of State
RA, Office of European Regional Affairs, Bureau of European Affairs, Department of State
res, resolution
RFC, Reconstruction Finance Corporation
RN, Royal Navy (British)
ROK, Republic of Korea
S., designation for legislation introduced in the United States Senate
S/ISA, Director for International Security Affairs, Department of State (abolished in 1951)
S/MSA, Special Assistant to the Secretary of State for Mutual Security Affairs
S/P, Policy Planning Staff, Department of State
S/S, Executive Secretariat, Department of State
SA-M, Special Assistant to the Secretary of State for Press Relations
SC, Security Council of the United Nations
SCAP, Supreme Commander, Allied Powers, Japan
SE, Special Estimate
SEATO, Southeast Asia Treaty Organization
SEC, Securities and Exchange Commission
SFRC, Senate Foreign Relations Committee
SHAPE, Supreme Headquarters, Allied Powers, Europe
S.J. Res., Senate Joint Resolution
SOA, Office of South Asian Affairs, Bureau of Near Eastern and South Asian Affairs
SRE, United States Special Representative in Europe
STEM, United States Special Technical and Economic Mission
SUNFED, Special United Nations Fund for Economic Development
TAC, Technical Assistance Committee, United Nations
TAC, Trade Agreements Committee (Interdepartmental Committee on Trade Agreements)
TAC, Transit Authorization Certificate
TCA, Technical Cooperation Administration
Tedul, series indicator for telegrams to Secretary of State Dulles while away from Washington
Topol, series indicator for telegrams to the United States Permanent Representative at the North Atlantic Council
TRC, Office of Transport and Communications Policy, Department of State
TWA, Trans World Airlines, Inc.
U, Office of the Under Secretary of State
U/FW, Office of the Special Assistant to the Under Secretary of State (Fisheries and Wildlife)
UN, United Nations
UNA, Bureau of United Nations Affairs, Department of State
UNAMC, United Nations Additional Measures Committee (for prosecution of the Korean war)
UNE, Office of United Nations Economic and Social Affairs, Department of State
UNESCO, United Nations Educational, Scientific and Cultural Organization
UNETAP, United Nations Expanded Technical Assistance Program
UNICEF, United Nations International Children's Emergency Fund
UNKRA, United Nations Korean Reconstruction Agency
UNRWA, United Nations Relief and Works Agency
UnSecState, Under Secretary of State
UNTA, United Nations Technical Assistance
ur, your
USA, United States Army
USAF, United States Air Force
U.S.C., United States Code
USDel, United States Delegation
USEUCOM, United States Army, European Command
USG, United States Government

USIA, United States Information Agency

USIE, United States Information and Educational Exchange Program

USIIA, United States International Information Agency

USIS, United States Information Service

USN, United States Navy

USOM, United States Operations Mission

USRO, Office of the United States Special Representative in Europe

USUN, United States Mission at the United Nations

VOA, Voice of America

VOR, very high frequency omnidirectional range

WE, Office of Western European Affairs, Bureau of European Affairs, Department of State

W.H., White House

WHO, World Health Organization, United Nations

WL, White List (export control measure)

WP, Working Party (member of intersessional committees set up under GATT)

POLICY OF THE UNITED STATES WITH REGARD TO ECONOMIC DEFENSE: ATTEMPTS BY THE UNITED STATES TO CONTROL EAST-WEST TRADE; STOCKPILING OF STRATEGIC GOODS; EFFORTS TO PROTECT STRATEGIC INDUSTRIES ABROAD AND TO ASSURE THE SUPPLY OF KEY COMMODITIES REQUIRED FOR THE DEFENSE OF THE WEST [1]

460.509/1-452: Telegram

The Chargé in the United Kingdom (Penfield) to the Department of State

SECRET NIACT LONDON, January 4, 1952—1 p.m.

2966. Personal for Harold Linder—No other distribution. At private dinner last night, Eric Berthoud [2] asked Emb officer convey to you his opinion Paris meeting on Jan 15 [3] of great importance to administration Battle Act and his hope that you wld attend with stopover at London en route.

He said his instrs are very rigid and stated plainly Brit Govt had decided stand by international lists [4] as agreed in Paris and to count upon presidential exception clause. He also fears impression will be gained in Wash that Brit leading mass revolt against Battle Act and is particularly concerned at possible repercussions such feelings at time of Prime Min's visit.[5]

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[1] For previous documentation on subjects relating to economic defense policy, see *Foreign Relations*, 1951, vol. I, pp. 993 ff.

[2] Assistant Under Secretary in the British Foreign Office.

[3] As a result of the transmission to the Washington mission of each of the COCOM countries on Dec. 6 and 7, 1951, of a U.S. *aide-mémoire* enumerating the requirements imposed on the U.S. Government in the field of East-West trade controls by the Battle Act, the decision was taken in COCOM to convene a meeting of the Consultative Group in January 1952. Concerning the *aide-mémoire*, see telegram 3357, Dec. 5, 1951, *Foreign Relations*, 1951, vol. I, p. 1221. The CG met in Paris Jan. 15–17 and again on Jan. 21 to discuss the implications of the Battle Act for the trade policies of the member countries. For a report on the most important aspects of this meeting, see telegram 4246 from Paris, Jan. 17, p. 819. Concerning the passage of the Battle Act, known formally as the Mutual Defense Assistance Control Act of 1951, P.L. 82-213, enacted Oct. 26, 1951, 65 Stat. 544, see the editorial note, *Foreign Relations*, 1951, vol. I, p. 1176.

[4] For a description of the evolution of the International Lists I, II, and III (IL/I, IL/II, and IL/III), see the circular instruction, Apr. 26, 1950, *ibid.*, 1950, vol. IV, p. 87.

[5] The reference here is to the visit of Prime Minister Churchill to the United States, Jan. 5–18. For documentation concerning this visit, see volume VI.

He insists that Brit Govt and other govts with whose representatives he has talked on this subject are sincerely seeking way of living with Battle Act but with minimum disruption multilateral coop in this field. However, he feels strongly that Brit Govt cannot be placed in position openly yielding to Amer pressure on this matter especially in view wholly different and fully cooperative efforts being made by two govts in such vital and mutually important programs as joint defense free world.

PENFIELD

Camp files, lot 55 D 105, "Battle Act 1952"

Memorandum of Conversation, by G. McMurtrie Godley of the Office of Western European Affairs

CONFIDENTIAL WASHINGTON, January 5, 1952.

Subject: Battle Act

Participants: Ambassador Bonnet, Mr. Francfort,[1] Assistant Secretary Thorp, Mr. Linder, Mr. Leddy,[2] Miss Camp,[3] Mr. Godley.

Ambassador Bonnet called this morning at his request and left with me an *aide-mémoire*,[4] an informal translation of which is attached setting forth the French views on the application of the Battle Act.

The French Ambassador spoke from this *aide-mémoire* and expressed the hope of the French Government that the Battle Act would be implemented in a multilateral form and not bilaterally. The Ambassador reiterated the views of his Government that it was extremely difficult for the French Government to accept United States Congressional regimentation of French trade without the concurrence of the French Government or the French Parliament. In this connection he said however that if the provisions of the Battle Act were complied with as a result of the multilateral discussion, the task for the French Government would be greatly facilitated.

The Ambassador discussed at some length the French acceptance of the policy of restricting East-West trade and the effectiveness of COCOM. I asked the Ambassador whether the French Government was experiencing any public pressure, such as we have been subject to in this country, to reduce East-West trade. The Ambassador replied that the reduction of East-West trade is now accepted in France but that there were not at present any groups pushing the Government further in this matter.

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[1] Pierre Francfort, Second Counselor of the French Embassy in Washington.

[2] John M. Leddy, Director of the Office of Economic Defense and Trade Policy

[3] Miriam Camp, Officer in Charge of Economic Organization Affairs, Office of European Regional Affairs.

[4] An informal translation of the *aide-mémoire*, dated Jan. 3, 1952, not printed, was attached to the source text.

With regard to the secrecy of COCOM, the Ambassador said that although its existence was known to certain members of Parliament and well-informed newspaper men, COCOM's activities were not publicized in the French press nor had they aroused particular public interest.

In conclusion I mentioned to the Ambassador that Mr. Linder and Miss Camp were going to Paris for the conference beginning on the 15th and I wondered whether the Ambassador saw any objection to their discussing East-West trade with the competent French officials.

The Ambassador said that on the contrary he felt that the French officials would welcome such informal conversations and that he would inform them of Mr. Linder's and Miss Camp's arrival.

460.509/1-1752: Telegram

The Ambassador in France (Bruce) to the Department of State

SECRET PARIS, January 17, 1952—7 p.m.

4246. Excon from Linder pass Dupre.

1. At CG mtg Jan 15 all dels except Canada made general statements on Battle Act. On strong recommendation Fr and UK prior to mtg US waited until all dels had had opportunity to express their concern before US statement made.

2. UK led off and tone and points made were generally followed by other dels. Emphasized necessity preserving multilateral approach. Stressed importance maintaining existing COCOM strategic criteria for lists, principles and procedures re exceptions and emphasized importance of existing policy which permits exporting country itself make final decision re exceptions. Requested US to suggest *modus operandi* which wld meet these essential points. Brit also emphasized their view that items on title I category B[1] which are not on international list I do not come within COCOM criteria for embargo and that inclusion of these items on title I is not in itself a reason for changing their present international list classification. Also indicated they have questions re munitions items on

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[1] The reference here is to Title I of the Battle Act, which lists categories of commodities subject to embargo in trade with the Soviet bloc; Title II lists categories subject to quantitative export control.

Cat A and Cat B lists which they will discuss later and determine whether questions are substantive or definitional. Further UK point was that either PCs yielding to US pressure or US termination of aid wld provide Commies with valuable propaganda.

3. Fr and number of other dels also emphasized fundamental opposition to action which might result in elimination of EW trade or econ blockage. Emphasized dollar position and continued need to import basic commodities. Fr also made point that although true that US cld withdraw aid, aid was part of our mutual efforts to use resources of free world for strength of free world. Danes made point that if US were actually to terminate aid despite fact that a country was complying fully with COCOM procedures this action wld have repercussions not only in COCOM but also in other organizations. Most dels emphasized point made by Brit that in accordance with existing COCOM procedures, final decision as to exceptions must rest with exporting country.

4. US statement followed text made in Wash without significant change in substance although somewhat softened in tone and with certain shifts in emphasis in line with our prior discussions UK and Fr. Moratorium proposal somewhat altered and made on more tentative basis in order recognize possibility that info provided by PCs might disclose that problem of existing commitments at least in certain countries not unmanageable. Statement emphasized the adequate estimate of problem of existing commitments depended on availability full info and expressed hope that in course current discussions sufficient details wld be presented so that together we cld discuss means of handling problem. Suspension proposal then made in following:

> *Begin verbatim text.* If on basis available info on existing commitments and scheduled shipments it appears that administrator wld not have time in which reach judgement, I shall suggest that shipments against these commitments be suspended as of Jan 25. This suspension wld be only for minimum time required for adequate appraisal of factors involved and wld be without prejudice to eventual fulfillment commitments if it is determined that circumstances justified exceptional treatment. *End verbatim text.*

5. US del believes this modification shld not affect intention of administrator to request Dept to approach non-COCOM countries promptly with suggestion for suspension strategic shipments although may wish modify presentation in light precise form proposal made to CG.

6. Most of afternoon session Jan 16 devoted to questioning US del on various aspects legislation, particularly leeway on exceptions, composition of lists and title II implementation. Linder had frequently to reiterate point that although administrator wld take

COCOM views into account he cld not substitute COCOM views for his own.

7. CG met Jan 16 to approve statement prepared by drafting comite summarizing agreements and points requiring govt consideration as they emerged from discussion previous day and to consider more specific US proposal on exceptions which CG had requested US present for discussion. (Summary statement airpouched Embdesp 1880[2] and US proposal summarized Embtel 4234[3]) points of CG agreement were:

(a) Need for continuation multilateral discussion and cooperation through COCOM.

(b) Request to COCOM to compare title I lists categories A and B with international list I and reference munitions list in order to "identify and clarify differences".[4] In this connection COCOM directed not to concern itself with either atomic energy portion of Cat A list or "national atomic energy lists". (Latter reference considered to exclude technical discussion AEC items Cat B.)

(c) Members to submit lists outstanding commitments to ship title I Cat B items to COCOM as soon as possible. CG took note of US statements that not intention of US Govt to modify title I or title II list until there had been opportunity for discussion of any proposed change in COCOM and that US wld later make suggestion for discussion further action under title II.

8. All Eur members CG reserved for reference to govt fol US proposals:

(a) Preconsultation on exceptions (USDel in answer to CG requests had submitted specific suggestions re amendment exception procedure, verbatim text of which is contained in separate message.)

(b) That shipments Cat B items be suspended until time for adequate appraisal of factors involved.

(c) Modifications in procedures re items on Cat B which do not appear on international list I (USDel made clear that it wld not press for inclusion these items on international list I at this time nor insist COCOM discussion although preferred multilateral to bilateral consideration).

9. Text US and UK statements fol by pouch (Embdesp 1889, Jan 17[5]). Available info on outstanding commitments and on questions re administrative principles being cabled separately.

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[2] Dated Jan. 17, not printed. (460.509/1-1752)

[3] Not printed; dated Jan. 16, it stressed the necessity of prior consultation in COCOM so that a participating country could obtain an exemption from the United States under the Battle Act for trading in an embargoed commodity with the Soviet bloc. (460.509/1-1652)

[4] For a discussion of the differences between the Battle Act lists and the International Lists, see the memorandum by Kean, Mar. 17, 1952, p. 831.

[5] Not printed. (460.509/1-1752)

10. General feeling USDel that approach followed has been successful and that Eur countries both appreciate our desire work out procedures which will not undercut COCOM and we hope are themselves prepared now that their objections in principle are on the record to endeavor within the limits of the many practical problems they face to adjust their procedures. It is clear that everyone hopes that in adjusting procedures there will not have to be any specific reflection of US legislative requirements in the formal COCOM principles and procedures. If finally US proposals shld not be adopted del believes that other countries will have been satisfied that US genuinely interested in preserving multilateral approach to problem and that much of the resentment at US unilateral action has been removed.

11. CG reconvening here Jan 21 for further consideration US proposals after consulting govts.[6]

BRUCE

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[6] In telegram 4362 from Paris, Jan. 22, not printed, Ambassador Bruce reported that, although the COCOM members had rejected the U.S. proposal for suspending shipments as of Jan. 25, agreement had been reached on prior consultation in seeking exceptions under the Battle Act. The CG meeting was thus judged a success from the standpoint of U.S. goals. (460.509/1-2252)

S/S–NSC files, lot 63 D 351, NSC 29 Series

Memorandum by the Under Secretary of State (Webb) to the Executive Secretary of the National Security Council (Lay)[1]

TOP SECRET WASHINGTON, January 21, 1952.

Subject: Eighth Progress Report on the Implementation of NSC–29, "Security of Strategically Important Industrial Operations in Foreign Countries."[2]

1. NSC–29 was approved as Governmental policy on September 4, 1948. It is requested that this progress report dated December 15, 1951, be circulated to the members of the Council for their information.

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[1] This memorandum was discussed at the 112th meeting of the National Security Council on Feb. 6, at which time Deputy Secretary of Defense Foster indicated that the Munitions Board felt that the Special Interagency Committee for this subject should continue to study the problem with particular attention to the security of the Indonesian oil facilities, the Mexican petroleum industry, and mining facilities in the Gold Coast, Nigeria, and Trinidad. The Council took note of Webb's memorandum and of Foster's remarks. (Truman Library, Truman papers, PSF–Subject File)

[2] NSC 29, Dec. 4, 1948, is not printed; nor have any of the preceding seven progress reports on NSC 29 been printed. All of these papers are in the S/S–NSC files, lot 63 D 351, NSC 29 Series.

2. The Special Interagency Committee on Foreign Sources of Critical Materials on November 1, 1951 accepted the following revised list of strategically important foreign industrial operations:

1. Venezuela—petroleum
2. Chile—copper
3. Nigeria—columbite and tantalite
4. Surinam—bauxite
5. Trinidad—bauxite transshipment facilities
6. Bolivia—tin and tungsten
7. Canada—nickel and platinum
8. Gold Coast—all grades of manganese
9. Southern Rhodesia—chromite
10. Union of South Africa—metallurgical manganese and metallurgical and chemical chromite
11. Indonesia—tin and petroleum
12. India—manganese
13. Mexico—petroleum
14. Aruba—petroleum
15. Curacao—petroleum
16. Belgium/Luxembourg—petroleum
17. France—petroleum
18. Italy—petroleum
19. Spain/Portugal (including Canaries)—petroleum
20. The Netherlands—petroleum
21. Japan—petroleum
22. British Borneo—petroleum

The addition to the previous target list of oil facilities in Indonesia and the countries numbered 13-22 grew out of NSC Staff actions taken in connection with the NSC-97 project "A National Petroleum Program", of December 28, 1950[3] which directed the Director of Defense Mobilization to develop a national petroleum program leading to a complete supply of Allied requirements for petroleum. As a result of NSC-97, the Petroleum Administration for Defense (PAD), prepared a report dated July 20, 1951, entitled "World-Wide Demand and Supply of Petroleum in Event of a Major War 1952-1957."[4] One of the recommendations in the report calls for preventive action by the Government against possible sabotage of oil installations abroad. The Senior NSC Staff requested the Department of State and the Central Intelligence Agency jointly to study and report on measures that could be taken to counter sabotage of these installations.

Since the action required falls logically into the same category with action now being taken under NSC-29, it was decided to use the NSC-29 mechanism for handling the problem of security measures for foreign oil installations. Accordingly, the Special Interagency Committee was convened to consider the PAD report, and a Petroleum Working Group was established to identify those specific oil installations abroad which require security action. The above additions to the NSC-29 target list were recommended by the Petroleum Working Group.

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[3] For the text of NSC 97, see *Foreign Relations*, 1950, vol. I, p. 489.

[4] Regarding this report, which is not printed, see the memorandum dated Nov. 29, 1951, *ibid.*, 1951, vol. I, p. 970.

Measures which the Department of State plans or already has initiated for the security of oil facilities in the areas listed above are outlined below.

European Countries

In the case of the continental European countries the Department of State will instruct:

(a) The United States Representative at the first meeting of the North Atlantic Petroleum Planning Board to stress the extreme importance of participating countries maintaining and improving the physical security arrangements of their oil installations. Member governments will be urged to cooperate with each other to this end.

(b) The United States Missions in the countries designated to express to the appropriate authorities our mutual interest in maintaining the security of oil facilities and to offer United States assistance in devising appropriate security arrangements, where necessary and practicable.

Curacao and Aruba

A physical security survey was made in 1948 of the refineries in Curacao and Aruba by a Central Intelligence Agency field team. Because the team concluded that security conditions in the Island refineries then compared favorably with those of large industrial operations in the United States, no action was recommended or taken. Recent information received by the Department indicates that security conditions at the refineries are not entirely satisfactory. The Department therefore will request permission of the Netherlands and Netherlands West Indies Governments to have a survey team review security conditions at the refineries.

In addition the Department is considering the assignment of a full time security officer to the Consulate General at Curacao to provide continuing surveillance of security conditions at Aruba, Curacao, and Surinam. Informal discussion with the Netherlands West Indies Government indicates that the assignment of such an officer would be welcomed.

Indonesia

The Department believes it would be politically inadvisable at this time to approach the Indonesian Government on the problem of security of oil installations under its jurisdiction, and it is proposed to have prepared a study of the security of Indonesian petroleum facilities based on available information in this country and that supplied by the Embassy Djakarta. The Central Intelligence Agency will be requested to develop, on the basis of this study, recommendations for the improvement of existing security arrangements. Appropriate steps will then be taken to implement these recommendations.

British Borneo

Since approaches to the United Kingdom regarding the security facilities in colonial areas previously identified under NSC-29, produced results only very slowly, it was decided not to take up directly with British authorities at this time the question of security of oil installations in Brunes [*Brunei?*], Sarawak and North Borneo. Instead as in the case of Indonesia, a research study will be made of these facilities based on information available in this country and data supplied by the Consulate General, Singapore.

Japan

SCAP, Tokyo, has been requested to furnish information on existing threats of sabotage to petroleum facilities in Japan, and security arrangements now in force to guard against such threats. SCAP also has been requested to recommend what action should be taken if in its view existing security arrangements are unsatisfactory.

Mexico

In view of the known sensitivity of the Mexican Government toward its nationalized oil industry, the Department believes it would be inappropriate at this time to approach directly Mexican officials regarding the security of oil installations. Embassy Mexico has been requested to ascertain what information it has in its own files on the security of the oil industry. In addition the Embassy has been asked to determine whether any security surveys of the Mexican oil industry have been made or are contemplated in the near future, and, if not, to indicate whether the Mexican authorities would accept the assistance of the United States Government in the making of such a survey. Further action is being reserved pending receipt of Embassy Mexico's reply.

3. Further progress continues to be made with respect to the previously identified NSC-29 target list. Developments since the release of the last quarterly report are summarized briefly below.

Chile

In response to a request of the Chilean Government, a plant security expert was dispatched to Santiago, December 3, 1951. He will be attached to the Embassy for approximately one month to assist in the implementation of the recommendations set forth in the report prepared by the Central Intelligence Agency.

Surinam

Copies of the Central Intelligence Agency field survey report on the Surinam bauxite industry have been made available in suitably edited form to the Netherlands and Surinam Governments and to the Aluminum Corporation of America with a request that comments be made to the Department as soon as possible. As soon as these comments have been received, the Department will proceed with implementation of recommendations of the survey.

Venezuela

Reports from Embassy Caracas indicate continued deficiencies in the security arrangements of the oil fields. Physical devices for security protection are much in evidence, but a generally lax attitude toward security enforcement is in evidence. Apparently a major problem is maintaining a high spirit of security alertness in the absence of sabotage attempts. To deal with this problem, Embassy Caracas has recommended that a qualified person be attached to the Embassy for an experimental period of six months to discuss with and advise the oil companies on security matters. The Department is now planning to recruit such a person.

Bolivia

A copy of the Central Intelligence Agency *Report of Survey of the Vulnerability to Sabotage of the Tin and Tungsten Industries of Bolivia* [5] was forwarded to the Embassy last May with a request that wherever feasible measures be taken to implement the recommendations. However, because of disturbed political conditions following the May 6, 1951 election, and the subsequent United States-Bolivian impasse on a new tin agreement, the Embassy reports it has not yet been possible to approach either the Government or the companies regarding the report.

Surveys of Chilean and Peruvian ports, which are the shipping points for Bolivian tin and tungsten exports, have been carried out as recommended by the Central Intelligence Agency study. Embassy Santiago's report on Arica and Antofagasta indicates security standards at these ports are very low and could be improved with little effort. According to the Embassy however the Chilean Government probably would not take the necessary steps unless the international situation underwent further serious deterioration. The Department is now considering how the Chilean Government can be stimulated to take more immediate action, or what other measures are appropriate.

Embassy Lima's report on Mollendo indicates poor security conditions at that port. The Embassy has been requested to approach the Peruvian Government to investigate its port security conditions with a view to adopting improved standards for security.

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[5] Not found in Department of State files.

Indonesia

A study on the Banka Tin mine prepared by the J. G. White Engineering Company[6] has provided the Department with useful additional information on the security of Indonesian tin installations.

According to the report the security situation on the Island is good and travel is safe at all times throughout the area. However this and other information available indicates there is still room for improvement of security conditions in Indonesian tin mining operations. The Department is considering how the problem can be dealt with in view of the known sensitivity of the Indonesian Government.

The Gold Coast, Nigeria and Trinidad

The Sixth Progress Report of April 11, 1951[7] mentioned that the British Foreign Office was undertaking to obtain for the Department information on the security of identified industrial installations in the Gold Coast, Nigeria and Trinidad. The requested information has been forwarded to the Department by Embassy London and is contained in the attached Foreign Office note (See Annex[8]). On the basis of the Foreign Office note the Department is satisfied that British Colonial authorities are thoroughly cognizant of the problem of security of the identified installations and are taking all practicable measures for their protection. Until contrary information comes to hand, the Department considers further action on these targets unnecessary.

Southern Rhodesia

The Department has received a detailed report from Salisbury on the security of the Chromite Industry of Southern Rhodesia. The report states that the industry is relatively vulnerable to sabotage through damage to transport and power facilities. However, the physical guarding of such facilities, except at a few highly strategic points, is considered virtually impossible at present because of the heavy manpower requirements. Fairly effective control over the activities of possible saboteurs is maintained by immigration officials and the Criminal Investigation Division of the British South Africa Police. These two organizations work closely together and maintain a tight check on the activities of all European visitors and local residents considered potential trouble makers. According to the British Security Liaison Officer at Salisbury there is not much danger of sabotage by Africans. The few natives with Communist leanings are under constant surveillance.

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[6] Not found in Department of State files.

[7] Not printed. (S/S-NSC files, lot 63 D 351, NSC 29 Series)

[8] The Foreign Office Note, dated Dec. 19, 1951 and transmitted in despatch 2808 from London, Dec. 21, is not printed.

The Department now plans to instruct the Consulate General at Salisbury to conduct direct discussions with Southern Rhodesian authorities regarding the need for and practicability of taking further measures to safeguard the chromite industry.

4. The Special Interagency Committee on Foreign Sources of Critical Materials has been strengthened by the addition of a representative from the Office of Defense Mobilization. At the November 1, 1951 meeting of the Committee* it was agreed that the NSC-29 target list should be reviewed in the light of revised stockpile objectives as well as the relevancy of the other criteria which governed the selection of the original list. The basis for such a revision will be provided by a National Intelligence Estimate, *Likelihood of Loss of Important Economic Resources in Foreign Areas*[9] which is now being prepared. This study will attempt to estimate the possibility of loss or decline of economic resources located in various world areas which are of importance to the security interests of the United States.

JAMES E. WEBB

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*Pursuant to NSC Action No. 531. [Footnote in the source text. The reference here is to the discussion of the seventh progress report on NSC 29, July 24, 1951, which took place at the NSC meeting of Aug. 22. The record reads as follows:

"Discussed the reference Progress Report and agreed to refer it to the Senior NSC Staff for recommendations regarding the desirability of a revision of the list of operations contained therein and the frequency of future progress reports by the Department of State." (S/S-NSC files, lot 66 D 95, "Records of Action")]

[9] There is no evidence in Department of State files that the National Intelligence Estimate under reference was completed.

460.509/1-2452: Telegram

The Ambassador in France (Bruce) to the Department of State

SECRET PARIS, January 24, 1952—9 p.m.

4424. Excon. Ref Embtels 2117, Oct 10, 2404, Oct 24, 3761, Dec 22; and Deptels 2298 and 3436, Dec 11.[1]

A. With concurrence all members USDel to CG, formal statement was made yesterday by USDel in COCOM as to meaning of US concurrence in COCOM List II recommendations. Full text reproduced as COCOM Doc 583[2] will be airpouched. Major points are as fol:

1. Reiterates US statement in CG that Battle Act admin has not yet reviewed List II recommendations, especially for items on Title

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[1] None printed; each dealt with various aspects of negotiations on items on International List II in light of the newly implemented Battle Act. (460.509/10-1051; /10-2451; /12-2251; /10-1051; /12-1151)

[2] Not found in Department of State files.

II, so that US acceptance is on temporary basis. Expresses hope that this gen reservation can be removed at early date and replaced by specific proposals on particular items, if we have any.

2. Emphasizes importance of *quid pro quo* principle, expressing confidence PCs will fully observe its spirit as applied to quota exports. Clarifies that US has accepted certain global quotas with reluctance and does not consider that quota quantities (except where purely token) are in any sense "non-strategic" or that they may be exported without regard to what is received in return. Indicates that US, if called upon to justify and defend exports of those goods (within quota limits) wld consider they do not make contribution to Sov bloc war potential which is "significant" in sense that it is out of proportion to advantages derived from continued imports essential goods from Sov bloc. Admits that PCs are to "satisfy themselves" as to essentiality of goods received; i.e., we are assuming prima facie that essential goods received. "As practical matter, occasion shld seldom, we hope never, arise to inquire whether assumption was well founded in a given case."

3. Points out that since COCOM recommendations do not take into account western supply situation, our acceptance does not prevent discussions this aspect either bilaterally or multilaterally in appropriate forums.

4. States "we also consider that gen reservation applies so far as protection direct US security interests are concerned. Although we may accept COCOM recommendations for disposition particular items, for example, we take it for granted we are free to choose whether we wld allow exports of security goods to any country under conditions which, in our own opinion, wld defeat purposes of controls we desire to maintain for security or other reasons."

5. States that with respect to few specific items (among those being controlled on 3 (D) basis) where COCOM PCs have disagreed as to strategic importance, and where COCOM has placed differing views on record and left each PC free to determine degree of control, US considers that in placing its own views on record it has maintained its independent position and its freedom to discuss such items with other govts individually or in COCOM if it finds this necessary or desirable.

B. USDel statement elicited no immediate response in COCOM. Comments or questions may come later after document seen by govts.[3] Wld be helpful in this connection if Battle Act administration cld review List II recommendations promptly, enabling USDel to state affirmatively that US Govt accepts those recommendations (subj to understandings and reservations set out in para A statement) without specific reservations owing to Battle Act.

C. At time of statement, USDel also accepted item dispositions recommended in Doc 557,[4] with reservations per Deptel 4008, Jan

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[3] For an indication of the reactions of the governments of the COCOM member countries, see the fourth progress report on NSC 104/2, Apr. 23, p. 834.

[4] Not found in Department of State files.

11,[5] except that items 2480 and 2635 were accepted for 3 (D) in view agreement on prior consultation reached in CG meeting.

BRUCE

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[5] Not printed; it discussed the transshipment of International List I items. (460.509/12-2851)

561.00/3-1452: Circular telegram

The Secretary of State to Certain Diplomatic Offices [1]

SECRET WASHINGTON, March 14, 1952—7:42 p.m.

786. 1. Psychological Strategy Board (Director Central Intelligence, UnSecState and DepSecDef) is considering possible ways of countering effectiveness of E-W trade aspects of Sov peace propaganda campaign. As indicated Dept circ agam on Moscow Econ Conf dated Feb 1,[2] Sov econ propaganda has been steadily increasing. Staff of Psychological Strategy Board has now requested Dept's views on proposal outlined para 2 below. Dept's prelim reaction is that project wld not be particularly effective in Eastern Eur and because of limited nature of goods which we wld be prepared to see included in any such offer wld not be saleable to Western Eur Govts, Dept feels that offer of this kind if too limited in scope wld only serve purposes of Moscow propaganda and intensify Western dissatisfaction current security trade policy and if sufficiently broad in scope to avoid these dangers wld lead to renewed domestic pressure for more sweeping controls. However before giving final reply to staff of Psychological Strategy Board Dept wld appreciate comments from posts receiving this msg and in particular any suggestion posts may wish to offer on alternative means countering current Moscow propaganda line.

2. PSB proposal is essentially for Western Eur Govts to make concerted well-publicized offer in near future to satellite govts to expand trade beyond existing levels in food and other non-strategic consumer goods now rpt now available in Western Eur. It is estimated that there might be $300 to $400 millions worth of consumer goods and light textile and farm equipment (not on any internatl security list) which Western Eur cld offer to export to Eastern Eur for traditional imports of grain, timber and coal. Since there are no

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[1] Drafted by Cox and Camp and cleared with Robert W. Barnett of the Office of Western European Affairs, Julius Katz of the Office of Eastern European Affairs, Wilson T. M. Beale of the Office of British Commonwealth and Northern European Affairs, and J. Robert Schaetzel and Edwin G. Moline of the Bureau of Economic Affairs. Sent to Moscow, Prague, Warsaw, Paris, London, and The Hague.

[2] Not printed; it reiterated the position taken by Ambassador Spofford in the North Atlantic Council discussions in October 1951. (398.00 MO/2-152)

security controls on these goods, it is apparent from fact that they are not being exported to East that trade negotiators for satellite countries are not genuinely interested in expanding trade in these commodities. Furthermore satellites are specifically discouraged from trading with West except for strategic goods. Therefore probable that any such offer wld be rejected by East. By overt and covert means rejection cld then be played up to peoples rpt peoples of Eastern Eur and emphasis placed on fact that they were being denied needed goods by their govts altho Western Eur ready and able to export, thus making mockery of current Moscow line.

ACHESON

460.009/3-1752

Memorandum for the Files, by John H. Kean of the Office of Northeast Asian Affairs

SECRET WASHINGTON, March 17, 1952.

Subject: Relationship between U.S. and International Strategic Export Control Lists.

Introduction. The U.S. positive list[1] includes all items under export control in the U.S. for either strategic or short supply reasons. Consequently, it is the most all embracing list which stems from executive branch action. "Rated items" are all items which are subject to export controls for strategic reasons. Such items are included on the following U.S. lists: U.S. List I and IA, exports of which are embargoed to all Soviet destinations; U.S. List II and IIB, exports of which to the Soviet Bloc are theoretically subject to quantitative limitation but which in practice are embargoed; and U.S. List IC which includes items of a lower strategic rating, exports of which are not to exceed certain restricted limitations. The latter list (IC) is badly in need of review and in fact its elimination as a category is under consideration with all the items included to be either upgraded or removed from the "rated" category.

Embargo Lists. The U.S. List I is identical with International List I as agreed by COCOM and all items included are embargoed to Soviet destinations by all COCOM countries. U.S. List IA is the residual; on these items there is a U.S. embargo but since unanimous agreement was not obtained in COCOM, these items do not appear on International List I. Some of the U.S. IA items are found on International List II, some on International List III, and some are not on any international list.

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[1] The reference here is to the export control list which had been maintained by the Department of Commerce since the inception of the export control program in 1948. The International Lists were prepared pursuant to the formation of the CG-COCOM structure in late 1949 and early 1950. For documentation on the latter, see *Foreign Relations*, 1950, vol. IV, pp. 65 ff. Both of these lists are to be distinguished from the lists maintained by the Mutual Security Agency, and thereafter by the Foreign Operations Administration, in accordance with the provisions of the Battle Act, as described in footnote 1, p. 819.

Quantitative Restriction Lists. U.S. List II and International List II are identical. International List II includes items of high strategic rating, exports of which are subject to quantitative limitations. Overall quotas for export from all COCOM countries are established and these are broken down with quotas for each individual country. These quotas may be exceeded with the agreement of the Coordinating Committee in cases where it is shown that the strategic advantage rests with the West in the case of any given proposed transaction.

So far as the U.S. List II is concerned, these are theoretically subject only to quantitative restriction but are in fact and in practice embargoed to all Soviet destinations. U.S. List IIB receives similar treatment and includes those items of high strategic rating on which the U.S. sought but failed to obtain COCOM agreement and overall quota limitations. Items on U.S. List IIB appear either in International List III or else do not appear on any international list.

Watch Lists. There is an International List III for which the COCOM countries agree to exchange information on a monthly basis on exports to the Bloc but no agreed limitation is established on such exports. There is no comparable U.S. list. U.S. List IC includes only one item on International List III. Moreover, U.S. List IC provides that there shall be only limited exports rather than that the U.S. merely watches the volume of exports. However, this very provision in the criteria for approval of licenses for exports to the Bloc of IC items provides a loophole in U.S. controls. U.S. licensing practice virtually embargoes all items for export to the Soviet Bloc whether they appear on the positive list or not. But since the licensing officer is authorized to license goods on U.S. List IC in restricted quantities, it follows that items with this strategic rating may be shipped to Soviet destinations, at least in restricted quantities, more easily than non-rated items. As a result, U.S. List IC is scheduled for early review and probably will be eliminated.

398.00 MO/3-2052: Telegram

The Chargé in the Soviet Union (Cumming) to the Department of State

SECRET PRIORITY Moscow, March 20, 1952—7 p.m.

1498. Re Depcirctel 786, March 14.[1] At this late date Emb believes inadvisable to switch from established US position re Econ Conf and other WPCH maneuvers viz play down significance, discourage attendance, point out true Sov objectives, and to extent possible avoid giving Sovs free publicity. With Conf only two weeks away abrupt US counteraction now might:

(1) Surprise and disconcert our allies who have been brought rather successfully to follow US lead.

(2) Make proposal appear as last minute propaganda gesture which impression not only weakens intrinsic value of proposal but provides backdrop of skepticism for future proposals.

(3) Suggest to Sovs further probes against tender nerve export controls.

At this juncture Emb endorses continuance existing Dept policy. See no objection general statement alluding to hundreds of millions of dollars worth consumer goods in US and Eur which now and since war been available EE. Might also mention hundreds of postwar trade fairs in which all countries free participate and from which millions in trade has arisen.

Recommended that after Moscow Econ Conf US missions abroad submit to Dept appraisal Sov success influencing thinking govts business and gen public respective countries. However, regardless of success or failure Moscow Conf, Emb urges further discussion positive proposals with careful examination their relationship Point IV, MSP, UN as well as reaction US public, free world and Sov Bloc.[2]

CUMMING

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[1] *Ante*, p. 830.

[2] According to a memorandum by C. Tracy Barnes, the Acting Director of the PSB, Apr. 23, to Under Secretary Bruce, the responses from London and Paris to the PSB plan were similar to that from Moscow. As a result, "it was decided not to use the PSB staff plan to counter the Moscow Economic Conference." Nevertheless, Acting Director Barnes continued, the PSB staff wished to keep in existence the panel which originated the plan in order to study further whether "positive action can be taken against Soviet psychological strategy in the trade field." (PSB files, lot 62 D 333, "PSB") New terms of reference for the panel were thus drafted and approved on June 24. For the contents of these terms of reference and the results of the panel's activities, see the first progress report on PSB D-28, Jan. 14, 1953, p. 910.

Editorial Note

As scheduled, the Moscow Economic Conference opened on April 3, 1952. There were 49 countries represented by 471 delegates, including 13 from the United States business community, attending the Conference. Although the results of the Conference, insofar as they affected the trade control policies of the members of COCOM, were not immediately clear, the French Government was sufficiently concerned about the psychological effects on French businessmen to express itself in favor of a Consultative Group meeting at the earliest moment to discuss the problem. (Telegram 6626 from Paris, April 28, not printed; 398.00 MO/4-2852) By late May, the British Foreign Office had also decided to advocate a Consultative Group meeting in order to discuss not only the Moscow Conference results, but also the possibility of including Japan in COCOM and the Black List question. At that time, the French and British hoped to convene the Consultative Group meeting on June 17. (Telegram 5348 from London, May 23; 460.509/5-2352) The meeting was later postponed to June 24.

S/S-NSC files, lot 63 D 351, NSC 104 Series

Memorandum by the Secretary of State and the Director of Mutual Security (Harriman) to the Executive Secretary of the National Security Council (Lay)[1]

SECRET

WASHINGTON, April 23, 1952.

Subject: Fourth Progress Report on NSC 104/2 "United States Policies and Programs in the Economic Field Which May Affect the War Potential of the Soviet Bloc"[2]

NSC 104/2 was approved as Governmental policy on April 12, 1951. In approving NSC 104/2 the President directed its implementation by all appropriate departments and agencies of the United States Government under the coordination of the Secretary of State. By memorandum dated November 6, 1951 to the Executive Secretary of the NSC concerning the assignment of responsibilities for economic defense,* the President directed the Secretary of State to continue to carry out his responsibilities under NSC 104/2 except as modified by the provisions of the Mutual Defense Assistance Control Act. He further directed the Secretary of State, in carrying out his responsibilities under NSC 104/2, and the Director of Mutual Security, in executing his responsibilities under the Mutual Defense Assistance Control Act, to establish and maintain arrangements which would assure the effective accomplishment of their respective duties. These arrangements were established by memorandum of agreement dated January 23, 1952 between the Secretary of State and the Administrator of the Mutual Defense Assistance Control Act.†

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[1] Transmitted to Executive Secretary Lay under cover of a memorandum of Apr. 23 from Secretary Acheson and MSA Director Harriman, not printed. Also attached to the source text, but not printed, were two appendixes, the first dealing with problems of shipping controls, the second stressing the inadequacy of intelligence studies on the vulnerability of the Soviet bloc to Western economic measures.

[2] For text, see *Foreign Relations*, 1951, vol. I, p. 1059.

*See memo for NSC from Executive Secretary, subject, "Assignment of Responsibilities for Economic Defense", dated November 7, 1951. [Footnote in the source text. For the text of the Nov. 7 memorandum, see *ibid.*, p. 1214.]

This progress report is submitted jointly in accordance with these arrangements. It is requested that this report (covering the period from November 15, 1951 to March 1, 1952) be circulated to the members of the Council for their information.

General

There are numerous indications that the denial of commodities covered by the export control program of the Free World is affecting the European Soviet Bloc adversely. Dislocations in certain Soviet Bloc production programs can be partially attributed to the Western control effort. Intensified Soviet propaganda efforts, reaching a climax in the Moscow Economic Conference, April 3–10, to stimulate and expand East-West trade in a manner favorable to the Bloc's interests are significant as an indication of the impact of the controls.

More importantly, these propaganda efforts are concentrated on driving a wedge between the United States and Western Europe. They are calculated to derive the greatest possible advantage out of the increased sacrifices required by the expanded defense program, as well as from Western European resentment over the Battle Act. These efforts have not been without success judging from recent reports from the field.

Despite the success of economic defense measures taken to date, several of them and certain aspects of economic defense policies require further examination. Some of these are discussed individually and in considerable detail below. Others requiring study but which have been under less active consideration include limited pre-emptive operations; the further coordination of controls adopted for short supply reasons and for strategic reasons; and increasing the bargaining strength of Western Europe in its trade negotiations with countries in the Soviet Bloc through the development of long term plans for alternative sources of supply and markets and through coordinating the bargaining efforts of the Western European countries.

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†See memo for NSC from Executive Secretary, subject, "Assignment of Responsibilities for Economic Defense", dated January 25, 1952. [Footnote in the source text. The memoranda under reference are in file 460.509/1-2552.]

A decision has been made regarding the organizational aspects of the economic defense program within the United States Government. By memorandum of agreement dated January 23, 1952 between the Secretary of State and the Administrator of the Battle Act, it was provided that the Mutual Trade Security Advisory Committee, established November 1, 1951 to advise the Administrator on Battle Act matters, should be utilized by the Secretary of State in carrying out his coordinating and consulting responsibilities under NSC 104/2. This arrangement is working well.

Battle Act

Since October, 1951 the economic defense activities of the United States Government have been heavily concentrated on problems directly related to the implementation of the Battle Act. At the suggestion of the Western European countries, a meeting of the Consultative Group was held in January to consider some of the problems. One of the primary United States objectives in the discussions was to ensure that other countries consult with us before undertaking commitments to ship embargo items (Battle Act, Title I, Category B). This was accomplished. The Group agreed to prior COCOM consultation not only on all International List I items, but also on proposed shipments of aluminum, heavy rails, general service locomotives and automatic signal equipment (the only International List II items included in Title I, Category B), but would not agree to placing these items on the International Embargo List.

No country agreed to the United States suggestion for a temporary suspension after January 24 of shipments of Category B items on which prior commitments had been made. Action of the Consultative Group on this proposal was limited to agreement to furnish COCOM with particulars of outstanding commitments on these items. The most numerous commitment problems will be with the United Kingdom, France, Germany and Italy. Arrangements have been made to obtain adequate information on which to judge these prior commitments on a case-by-case basis. Most of the countries have whole-heartedly entered into bilateral discussions with the United States country teams to amplify this information.

While the United States did not achieve its entire objective at the meeting, an improvement in relationships resulted from reassurances that the United States does not intend to undercut COCOM. As a result of the meeting also, the other participating countries were given a better understanding of the legislative requirements making necessary certain United States actions which previously had been misinterpreted.

The improved relationships which resulted from the meeting appear, however, to have been weakened subsequently by the United States statement late in January reserving its position with respect to the results of the review in COCOM of items on International List II.[3] The statement pointed out *inter alia* that the Battle Act Administrator had not had the opportunity to review the Committee's recommendations, and that in licensing exports to any country the United States retained the right to decide whether such exports would defeat the purposes of United States security controls. The statement, which was received initially without comment, later drew severe criticism, both for its tone and substance, and was characterized as paternal and authoritarian. The underlying NSC policy, NSC 91/1[4] as modified by 104/2, which relates to this problem is currently under inter-agency review in the light of the Battle Act and other developments since its adoption.

The most urgent problems under the Battle Act involve the need to consider whether exceptions should be granted for particular shipments of International List I commodities to the Soviet Bloc by Western European countries. Many such shipments result from commitments made prior to the inclusion of the items on embargo lists. Such shipments would be approved under COCOM principles. The inventory of outstanding commitments by COCOM countries to ship such items is now well under way.

Some cases, such as the commitment by the Netherlands to export oil well equipment to Poland, raise special problems. In addition, proposed new commitments for delivery of International List I items, such as the delivery of a tanker to Poland by Denmark, raise problems in terms of developing possible alternatives to completion of the transactions. In the latter case, the United States has made an offer to replace Polish coal and to meet the net dollar cost involved, estimated at from $16 to $18 million. This estimate was based on the assumption that no additional coal could be obtained from the United Kingdom and Western Germany. It now appears that extra coal receipts from these two sources are more likely.

Communist China

In the face of the general reluctance of other nations to adopt measures going beyond the General Assembly strategic embargo

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[3] For the substance of the statement under reference here, see telegram 4424 from Paris, Jan. 24, 1952, p. 828.

[4] For the text of NSC 91/1, "East-West Trade," Nov. 17, 1950, see *Foreign Relations*, 1950, vol. IV, p. 227.

Resolution of May 18, 1951[5] while the Korean armistice negotiations are under way, the United States did not advance proposals in the Sixth Session of the General Assembly or in the Additional Measures Committee for additional controls against Communist China. The Department of State is reexamining the desirability of again opening AMC discussions with the aim of further implementing the May 18 Resolution through ancillary controls. This assumes a continued stalemate in the armistice negotiations. A further deterioration of the situation would indicate urgent and more severe economic sanctions.

Meanwhile COCOM consideration of the United Kingdom proposal to institute a China embargo list established that all participating countries had placed or were placing the whole of International Lists I and II under embargo for China. Discussions are continuing with regard to extending the embargo to include International List III and certain other items included in the United Kingdom proposal.

United States Import and Financial Controls

The Treasury Department has, after consultation with the Department of State, ruled that the prohibitions of the Foreign Assets Control Regulations apply to Tibet and the nationals thereof.

Considerable effort has been devoted by Treasury, with satisfactory results, to policing transactions through third countries where there is disguised Communist Chinese interest.

An extensive investigation of the Communist Chinese extortion racket involving remittances by Chinese residents of the United States for the protection of relatives in China was undertaken in the period under review. While it is not possible to cite an accurate estimate of the total dollars involved, this problem is not expected to be serious in the future, as the Chinese community in the United States has been made aware of the Treasury regulations.

(See sections on Shipping, Hong Kong, and Transit Trade and Transshipments for additional developments and problems affecting Communist China.)

Japanese Export Controls

SCAP has already turned over to the Japanese the responsibility for controlling less strategic exports. When the responsibility for controlling items on the United States security lists is relinquished to the Japanese (tentatively, March 17) they will operate the entire export control system. SCAP will, however, post-audit all export licenses covering security items for a limited time. The Japanese Government will be responsible for end use checking on these items through its Overseas Agencies where they have been established or through United States Missions. It is expected that Import Certificates and Delivery Verifications will be obtained for certain International List I and II shipments to COCOM countries. Japan will in turn issue such certificates covering imports from those countries.

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[5] For documentation concerning the embargo resolution, see *Foreign Relations*, 1951, vol. VII, Part 2, pp. 1874 ff.

In order to ensure that Japanese export policy is not altered substantively as a result of Japanese assumption of control, the Japanese Government has been advised of our understanding that Japan will maintain controls as close as possible to those now being applied as long as there is Communist aggression in the Far East.

It is recognized, however, that maintaining controls after the cessation of the Korean hostilities is a long run problem necessitating serious consideration. There are growing internal and external pressures on the Japanese authorities to resume trade with China. These pressures are expected to increase after the Peace Treaty becomes effective, and particularly after an armistice in Korea, if agreement can be reached. In view of this, the United States is proposing multilateral discussions to consider the desirability of establishing some kind of organizational arrangement to assist in determining and carrying our mutual security objectives in the Far East in the post-aggression period. We have suggested that the United States and Japan meet initially with the United Kingdom, France and Canada, and possibly with others having a major interest in trade with Far Eastern Communist areas to discuss the post-aggression trade security problems.

Hong Kong

NSC 122[6] providing for a new United States licensing policy for Hong Kong (and Macao) was approved on February 7. It provides generally that items on the United States security lists may be supplied to Hong Kong for local consumption or transshipment to non-Soviet bloc destinations as long as the Hong Kong Government imposes an embargo on these or identical items to Communist China, North Korea and the Soviet Far East.

Depending on the extent and effectiveness of Hong Kong controls, United States licenses can be approved for minimum short term essential requirements and legitimate transshipments. No exports are allowed for stockpiling, important industrial expansion or other questionable security risks. Short supply positive list items may be approved to meet minimum essential short term requirements. Residual items may be licensed for short term requirements or legitimate transshipment.

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[6] For the text of NSC 122, "U.S. Export Licensing Policy Toward Hong Kong," see volume XIV.

This policy is undeniably a strict one, but it is made necessary because of Hong Kong's position as a transit point for trade with China. It is considered by the United States Government to be flexible enough to permit exports for the maintenance of the Hong Kong economy, notwithstanding that Hong Kong may be continuing some trade with China in goods of low strategic significance.

Germany

Progress continues to be made by the German Federal Government in developing and improving the structure and operation of the German export control system. This progress is attested to by reports from the Office of the United States High Commissioner for Germany, from the United States Technical Mission which completed its assignment as consultant to the Federal Republic on security export controls on December 1, 1951, and from a Senate investigator who was in Germany recently.

Despite this progress and a serious intent on the part of the German Government to solve the remaining important problems, real opportunities still exist for the shipment of strategic commodities out of Germany in violation or evasion of export controls. Although there is no way to estimate reliably the volume of illegal trade, most intelligence indicates a considerable reduction in the total quantity of such trade in the last nine months. This can be attributed in part to the virtual stoppage of interzonal trade.

Administrative action on an interim basis by the High Commissioner's office against German firms suspected of engaging in illegal transactions is continuing. The Federal Government, however, has not yet established an effective system for prosecuting or taking final administrative action against such firms on the basis of its own investigations. This problem is being pursued with the Federal Government at the highest level.

The system of end use checking thus far established by the Federal Government, in particular as regards non-COCOM countries, is not yet satisfactory. The Import Certificate and Delivery Verification (ICDV) system has been in use by the Germans since June 1951 for checking exports to COCOM countries, although as yet to an insufficient extent.

Efforts are also under way to make further progress with the difficult Berlin control problems, where there is still considerable room for improvement in the direction of an effective export control system.

(See p. 10 for brief discussion of the transit trade and customs problems.)

Controls Over Transit Trade and Transshipments

Import Certificate and Delivery Verification (ICDV) System

On February 24, 1952, the Department of Commerce announced the implementation by the United States Government of the requirement that exports of certain strategic commodities to COCOM countries be covered in all cases by import certificates and, upon the request of OIT in special cases, by delivery verifications.

COCOM agreed upon this system in May, 1951. On July 19 Commerce announced the phase of the system whereby United States importers could provide the official assurances required by their Western European exporters' governments. Other COCOM countries had implemented the *full* procedure by that date, and have actually been requesting as well as issuing ICDV's since then.

Our delegation in COCOM feels that the seven months delay in installing the complete ICDV system has placed the United States in a difficult position, on which other delegations may capitalize in the future in resisting measures proposed by us. This has been one of the few cases where a COCOM agreement necessitated new measures by the United States. Internal administrative difficulties that caused the delay have often been considered by the United States inadequate reason for other participating countries' unwillingness to take steps urged by us.

The effectiveness of the ICDV system in reducing diversions is largely dependent on the extent to which certifications are requested. Accordingly, the United States has requested COCOM reaction to making exports of all International List I goods dependent on the receipt of import certificates.

Macao

Shipments through Macao to Communist China have constituted a serious leak in the international control system. The Portuguese Government announced early in February that it was about to implement the ICDV system in Macao, Goa and all other Portuguese overseas territories. Application of this system to Macao provides means for reducing the possibility of illegal shipments reaching Communist China. The effectiveness of this measure will depend on the integrity and ability of the administering authorities.

In addition the Macao Government introduced legislation on January 23 prohibiting the export of strategic materials to Communist China. It is noted that our Consulate General in Hong Kong views this measure, coming as it does after a long period of resistance to controls and apparent indifference to the colony being used as a smuggling base, as an indication merely that the Chinese withdrawal from buying in Macao last November was intended to be permanent. This appraisal should be tempered by recognition that the Macao Government was acting in response to United States persuasive efforts culminating in the Battle Act. In addition, the many reports that the Chinese Communists consider the Macao prohibitions as provocative indicate that they may be of some value in hampering Communist Chinese trading activities in the colony.

Finally, the revised United States licensing policy for Hong Kong and Macao, approved February 7, provides that security and short supply items may be approved for Macao only when they are for the fulfillment of minimum short term local requirements, and are supported by formal request of the Portuguese Government documented by a statement of requirements and supported by an investigation of end use. The United States will regard shipments of security and short supply items from Hong Kong to Macao as shipments to Communist China unless they are determined as necessary to meet minimum essential short term consumption requirements in Macao.

Free Port Problem

Numerous reports have been received on the transshipment to the Soviet bloc of Chilean copper, and a few reports on Mexican copper, consigned to Western Europe. Some of the reports on diversions or attempted diversions have been verified. Our Embassies in Santiago and Mexico City report that the local governments exert little effort to ensure against these diversions. The Chilean Government has made little use of the end use checking service offered by the United States.

The majority of these reported transshipments involve the free port of Antwerp. To plug these and other free port leaks the United States has strongly supported in COCOM the adoption of transshipment licensing, but no coordinated arrangement has been agreed. Action is expected in the near future on the pending United States proposal (see last Progress Report)‡ for a selective extension of the ICDV system to Latin America. Approval is anticipated, after which the United States will request immediate implementation by the Latin American Governments.

All COCOM countries except France, Belgium and the Netherlands have instituted physical controls over transit shipments. The United States has recently been informed confidentially that the latter two Governments have worked out some plan for instituting such controls which is awaiting high level approval.

The German Government has made some progress in the troublesome free port of Hamburg, but much ground remains to be covered in the task of training customs officials and indoctrinating them with the proper attitude of vigilance. The progress is reflected in the German claim of proper control over reconsignments within the free port of strategic goods originating in COCOM countries. The High Commission is investigating the extent to which this control is in fact enforced.

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‡See Progress Report dated December 26, 1952 by the Under Secretary of State on NSC 104/2. [Footnote in the source text. The progress report, not printed, is in S/S–NSC files, lot 63 D 351, NSC 104 Series.]

Shipping

Little progress was made in the field of shipping controls during the period under review. Several major problems have come into fairly sharp focus, however, in the time since NSC 104/2 was approved. The nature of these problems, discussed in some detail in Appendix I, points to a need for re-examination of our policies in the shipping field. In summary, these problems may be stated as:

1. lack of coordinated intelligence;
2. complications arising from the Korean war;
3. circumvention of existing shipping controls; and
4. the legal aspects of the controls.

(See Appendix I)

Research and Intelligence Backstopping for Economic Defense Activities [7]

As experience has been acquired in economic defense work, it has become increasingly evident that a major weakness in the United States effort is the general inadequacy of intelligence-research pertaining to East-West economic relations, particularly in what can be termed basic research of fact finding. Three major economic areas require continuing research in connection with the development and support of the United States security control effort: trade, finance, and shipping. In addition, the continuing evaluation of Soviet bloc vulnerabilities is essential. These aspects of research and intelligence for economic defense are discussed in Appendix II.

The deficiencies in this field are attributable to a combination of factors, including scarcity of trained personnel, sometimes ineffective organization of personnel engaged in this field, inadequate coordination of the efforts of various agencies, and the low priorities accorded economic defense assignments among the multiple demands on small general economic research staffs. Steps are being taken to centralize a small group of analysts within the research area of the Department of State to work exclusively on economic defense problems, particularly trade, as one measure towards meeting the most urgent needs in this field. This group will be heavily dependent on the basic intelligence and research efforts of other areas engaged in this work.

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[7] In a memorandum of June 3 to the National Security Council, the Director of Central Intelligence, Walter Bedell Smith, called this section of the progress report "inaccurate." He recommended that future progress reports correct the inaccuracies. (S/S–NSC files, lot 63 D 351, NSC 104 Series)

A significant step has also been taken to improve the factual basis for analysis, by centralizing the compilation of statistics on East-West trade. In the past, statistical work has been undertaken by various agencies, with little coordination and incomplete exchange of data. An inter-agency working group has now completed a project outline to be used as a guide for the Department of Commerce in initiating and maintaining the compilation of extensive East-West trade statistics on a regular basis for all interested agencies.

Decreasing Reliance on Trade With the Soviet Bloc

In addition to the studies which the Economic Cooperation Administration had submitted on the three most important commodities in East-West trade (coal, lumber and grains), the papers on machinery, vehicles and transportation equipment, prime movers, merchant ship building, pulp and paper, and potash have been completed by the Mutual Security Agency. These have been circulated among the agencies concerned, and recommendations and comments are being forwarded for final revision. Additional papers are being developed on tin, tungsten, manganese, bearings and fish. This series of studies should provide the factual basis for further work directed towards developing action programs to strengthen the bargaining position of friendly nations vis-à-vis the Soviet bloc and to lessen their vulnerability to a sudden complete or partial cessation of imports from the bloc.

The general study entitled "Trade with the Soviet Bloc: Current Problems and Policies" has been completed and circulated. Extensive comments were received, and it is now in the process of final revision. This paper contains a general survey of the problems of East-West trade and an evaluation of the dollar costs of the cessation of such trade. Consideration has been given to the importance of certain imports to Western Europe and the possibilities of locating alternative sources of supply and of developing new markets in the free world for Western European exports now sold in the Soviet bloc.

Another paper has been developed by the Mutual Security Agency surveying Western European coal needs and the possibility of alleviating attendant East-West trade problems by examining coal replacement possibilities in the programming of Mutual Security funds. Since shipping and supply problems are no longer of major importance, increased attention is being given to the financing problem so as to alleviate the crises which develop as the

Soviet bloc countries demand increasing amounts of strategic goods for shipments of coal.

A survey of the present and future bearings requirements of Western Europe has been made, including the potentialities and capabilities of those Western European plants most heavily involved in East-West trade in bearings. Preliminary indications are that in view of the present bearing vacuum in NATO countries and of future defense requirements, those firms which have been previously unable to enter Western markets because of their cost structure and the lack of sufficient demand might now redirect most exports to that area.

International Black List

The establishment of an International Black List is still an unresolved issue in COCOM. The Netherlands Government has reserved its position on the entire Black List question, unless all participating countries, notably the United States, agree (1) to previous consultation with the government of the offender before instituting administrative proceedings against that individual, and (2) to limit the withholding of exports of Munitions List and International List I and II items, except in the case of the country whose controls have been violated, which is free to take whatever action is considered necessary. All COCOM delegations have agreed in principle to the Dutch proposal, except the United States, which has concurred in the latter point only. We have agreed, however, to provide advance notice of temporary suspensions through United States Missions to the firms involved and to the foreign government, with an invitation to submit whatever information it considers pertinent. Such advance notice would also be given when compliance proceedings result in final withholding of export privileges. Our delegation has recently reported that it will endeavor bilaterally to obtain Netherlands acceptance of the United States position.

We have agreed to the Belgian proposal that it would also be desirable to establish a Grey List of suspected violators of controls to whom shipment of strategic items should be carefully checked.

United Nations Collective Measures Committee (CMC)

On January 12, 1952 the UN General Assembly adopted a resolution noting the first report of the CMC and continuing the CMC for a second year. This report is a considerable accomplishment in terms of a statement of principles and methods relating to international cooperation against a future aggressor.

As it did last year, the United States expects to take a leading role in carrying forward the work of the CMC.

In the field of economic and financial measures (Chapter 3 of the CMC report) the preliminary decision has been made that further study should be given in the CMC primarily to (1) a survey by member states of the adequacy of their legislation to permit full and prompt support of UN action against aggression; (2) the formulation of a basic initial list of items which in every case of aggression would be immediately embargoed; and (3) legal and constitutional factors affecting the ability of UN bodies, mainly specialized agencies, to assist in a collective measures program. In addition, the advisability of promoting CMC study of multilateral conventions which might inhibit prompt and effective action by states is under consideration in the Department of State.

Other Developments and Problems

Luxembourg Trade With the Bloc

It has been admitted by an official of the Luxembourg Ministry of Foreign Affairs that considerable laxity existed previously in the application and enforcement of COCOM decisions, but it is claimed that elaborate precautions are now being taken to ensure that steel shipments to the bloc are properly controlled. Our Legation believes that this claim does not extend in fact beyond the letter of COCOM agreements.

Czechoslovak Steel Mill

On January 18 the Treasury Department announced the issuance of an order prohibiting the sale or other disposition of the strip rolling mill located in the United States purchased (and paid for) by Czechoslovak interests at the price of about $17 million. This blocks the largest single asset of the Czechoslovak Government in the United States.

Dollar Earnings of Soviet Bloc

A few reports have been received to the effect that Czechoslovakia is experiencing a shortage of dollar exchange. This situation has resulted partly from the current inability of Czechoslovakia to obtain consular invoices for exports to the United States, brought about by the Oatis case[6] and related matters. The suspension of United States tariff concessions on November 1, 1951 will undoubtedly further contribute to Czechoslovakia's dollar shortage.

On the other hand, the bloc is obtaining additional dollars by the sale of gift certificates in the United States and by imposing heavy duties on relief parcels which in some cases must be prepaid.

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[6] For documentation on the Oatis case and the Treasury action against the Czech steel mill, see volume VIII.

Editorial Note

During the period May 5-9, 1952, the Ninth Meeting of the International Rubber Study Group, which consisted of the major rubber-producing and -consuming nations, convened in Ottawa. Due to a recent decline in the price of natural rubber as a result of falling demand since 1951, the producing nations, led by Indonesia, were able to establish a Working Party within the Study Group structure for the purpose of considering "whether measures designed to prevent burdensome surpluses or serious shortages of rubber are necessary and practicable." The reports of the United States Delegate to the Ottawa meeting, Willis C. Armstrong, Acting Deputy Director of the Office of International Materials Policy, are in file 398.2395/6-2352.

The Working Party convened for its first session from July 30 to August 15 in London where it gave preliminary consideration to a possible multilateral rubber agreement proposed by Indonesia and a buffer stock agreement proposed by the representatives of the British colonial territories. Armstrong's report on this meeting is in file 398.2395/9-1652.

The Working Party reconvened in London for its second session from January 5 to 27, 1953. For a summary report of that meeting, which focused more specifically on the proposal for the purchase by the United States and the United Kingdom of a buffer stock of rubber to reduce the supply and raise the price, see the paper by Armstrong, dated February 10, 1953, page 932.

460.009/6-952

The Secretary of State to the Chairman of the Senate Committee on Foreign Relations (Connally) [1]

SECRET [WASHINGTON,] June 9, 1952.

DEAR SENATOR CONNALLY: I am taking the liberty of writing you this personal letter because of my deep concern that the implications of the adoption of the Kem amendment to the Mutual Security Act may not be fully understood.[2] It is difficult in the course of

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[1] Copies of this letter, drafted by Camp on June 6 and cleared with Perkins, Linder, Martin, and Wood, were sent to Senators Wiley, H. Alexander Smith, Walter F. George, and Green.

[2] During the debate in the Senate, May 26-28, 1952, on the Mutual Security Bill, Senator James P. Kem of Missouri succeeded in having accepted by a 40-32 vote an amendment which would have gone far beyond the Battle Act in providing for economic assistance sanctions against countries which traded in certain commodities with the Soviet bloc. The House-Senate conferees deleted the Kem Amendment on

Continued

debate, particularly when much of the material from which one must argue is of a highly classified nature, to set the problem posed by the Kem amendment in its true perspective.

I realize and sympathize with the very genuine desire of those Senators who have voted for the Kem amendment to make sure that this government takes all steps it can to strengthen the position of the free world. However, I cannot believe that the results of the enactment into law of the Kem amendment have been fully understood by all those who have supported its passage.

No one can be sure of predicting accurately, but it is my strong personal conviction that the result of its enactment would be the collapse of our Mutual Security Program. I realize this is a strong statement. But in reviewing the situation over the week-end I could come to no other conclusion. Based on my experience in negotiating with foreign governments pursuant to the earlier and far more liberal version of the Kem amendment (Section 1302 of P.L. 45 [3]) I feel that the British Government, the French Government and probably the Italian Government and the Government of the Federal Republic of Germany will decide they have no recourse but to decide they are unable to meet the conditions of our aid, all our aid both economic and military. It will be a hard decision for them but one which I believe they will not be able to avoid.

All the governments of Western Europe are wholeheartedly committed to a policy of economic defense, they apply strict export controls over all shipments of goods of important strategic value and the most important of these items are embargoed. The level of cooperative action which has been attained in this field is without precedent in time of peace. However these governments have made it unmistakably clear to this Government and to their own people and legislatures that they do not now pursue and will not pursue, in the present circumstances, a policy of economic warfare. In our judgment also, economic defense rather than economic warfare is the right course of policy at the present time. The line between economic defense and economic warfare is, of course, a hard one to draw and it is drawn at different places by different governments. The Western European governments draw it at the place where the strategic importance of the item to be controlled becomes doubtful, and by "strategic" they mean a clear and direct relationship to the build-up of military potential. The items which the Secretary of De-

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June 3, but Senator Kem took the floor during the Senate's consideration of the compromise bill to protest the deletion on June 9. The Senate approved the bill on the same day without the Kem Amendment. For the text of the Mutual Security Act of 1952 (P.L. 82-400), signed on June 20, 1952, see 66 Stat. 141.

[3] Concerning the Kem Amendment of 1951, see the editorial note, *Foreign Relations*, 1951, vol. I, p. 1073.

fense would be required to certify as requiring full embargo, in order to meet the requirements of the Kem amendment, go far beyond the definition accepted by the Western European governments and acceptance of the Kem amendment restrictions would, in their eyes, require the adoption of a policy of economic warfare. It is my judgment that they will not adopt such a policy and that, in the circumstances, they cannot do so without seeming to their own people to have surrendered an essential element of their national independence and sovereignty.

I do not wish to labor this fundamental point of policy, but it is one which I believe is strongly held and which we must not underestimate if we are to appraise the results of our action with any accuracy. It is a point which without running the risk of grave misunderstanding it is almost impossible to use in public debate.

The economic cost to these countries of a further sweeping curtailment of their trade would also be an important, although I am inclined to believe, in many cases, a subsidiary factor in their judgment as to what would be the right course of action in their own national interest.

If the major countries of Western Europe were to decide that the conditions imposed on our aid were fundamentally at variance with their own concept of the underlying philosophy of our mutual defense effort and, therefore, were to feel unable to meet the conditions of our aid, the fabric of mutual defense would be damaged beyond repair. Apart from the immediate result of the inability to meet NATO military targets, would be the incalculable effect of a demonstration, for all the world to see, that the NATO partnership, now a strong cohesive force for peace, had become merely a paper treaty strained to the point of ineffectiveness by internal difference.

None of us can afford to take such a risk and it is for this reason I have written to you so frankly and have taken the liberty of sending copies of this letter to the other members of the Foreign Relations Committee. However, because I have commented so freely on the views of other countries and since the opinions I have expressed must be regarded as my personal judgments, I have felt it necessary to classify this letter and to request that it not be used in public discussion.

Sincerely yours,

DEAN ACHESON

460.509/6-1252

Memorandum of Conversation, by the Assistant Secretary of State for Economic Affairs (Linder)[1]

SECRET WASHINGTON, June 12, 1952.

Subject: Discussion of Current East-West Trade Problem with French Ambassador

Participants: French Ambassador Bonnet
M. Gontran de Juniac, Counselor, French Embassy
Secretary of State Acheson
Ambassador Philip C. Jessup
Harold F. Linder—E

The Secretary expressed our concern with the problem of the shipment of prior commitments of material on International List I and requested that the French Government give us every assistance in this matter. He explained that on the whole we had been able to work out satisfactory arrangements multilaterally in respect of future commitments but that unfortunately our law did not distinguish between contracts made prior to the enactment of the Battle Act on which shipments were still to take place and arrangements entered into after the enactment of our legislation. It was pointed out that the total volume of prohibited items shipped last year was approximately $7 million and if nothing were done to arrest them shipments over the next 12 months (of List 1 items) might aggregate as much as $21.5 million. If the U.S. Congress and public should find that in fact the trend of shipments was rising, our position would be most difficult and he thought it almost certain that we would be faced with a legislative mandate which would make it impossible for us to continue aid.

Of the $21.5 million, some $6 million is accounted for by Danish tankers, which matter we are taking up bilaterally with the Danes, and of the remaining $15 million, approximately $5.5 million comprising steel making or fabricating (machine tools) machinery was regarded by us as particularly dangerous. This latter group we regarded as a hard core, although all of the items were on the prohibited list. France had prior commitments aggregating approximately $4.8 million of which about $2.2 million constituted their share of the hard core. It was emphasized that the shipment of these items would constitute a direct addition to the war-making potential of the Soviet Bloc.

The Secretary then remarked that the Ambassador was no doubt familiar with the proposed Kem Amendment and pointed out strongly that the vote in the Senate of 59 to 11 should not be misconstrued. For this he thought we all had to thank the Vice President who had adroitly ruled in such a way as to cause the Senate to choose between the adoption of the conference report or the rejection of the Mutual Security Bill. It was important, he said, that our friends abroad should not be lulled into a sense of security as a result of this action and he stated that he was competently advised that had the issue of the Kem Amendment alone come before the Senate at that time, it was highly probable that the Administration would have been defeated and the amendment adopted. In conclusion the Secretary stated that there was to be a meeting in Paris on June 24 for which Mr. Linder was going over and that he hoped that M. Bonnet would transmit to his Government our great concern with this problem.

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[1] Drafted by Assistant Secretary Linder on June 13.

M. Bonnet replied that he did not have detailed familiarity with these matters but indicated that he appreciated the gravity of our legislative position and assured the Secretary that he would inform his Government fully and promptly.

460.509/6-1252

Memorandum of Conversation, by the Assistant Secretary of State for Economic Affairs (Linder) [1]

SECRET WASHINGTON, June 12, 1952.

Subject: Discussion of Current East-West Trade Problem with British Ambassador.

Participants: British Ambassador Sir Oliver Franks
Secretary of State Acheson
Ambassador Philip C. Jessup
Harold F. Linder—E

The Secretary opened the discussion requesting that Sir Oliver communicate strongly to Mr. Eden our concern with the situation we are facing in respect of East-West trade. Our law unfortunately did not distinguish between contracts made prior to the enactment of the Battle Act on which shipments were still to take place and arrangements entered into after the enactment of our legislation. It was pointed out that the total volume of prohibited items shipped last year was approximately $7 million and if nothing were done to arrest them shipments over the next 12 months (of List 1 items) might aggregate as much as $21.5 million. If the U.S. Congress and public should find that in fact the trend of shipments was rising, our position would be most difficult and he thought it almost certain that we would be faced with a legislative mandate which would make it impossible for us to continue aid.

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[1] Drafted by Assistant Secretary Linder on June 13.

Of the $21.5 million, some $6 million is accounted for by Danish tankers, which matter we are taking up bilaterally with the Danes, and of the remaining $15 million, approximately $5.5 million comprising steel making or fabricating (machine tools) machinery was regarded by us as particularly dangerous. This latter group we regarded as a hard core, although all of the items were on the prohibited list. The U.K. had prior commitments aggregating approximately $5 million of which $700,000 constituted their share of the hard core. It was emphasized that the shipment of these items would constitute a direct addition to the war-making potential of the Soviet Bloc.

The Secretary then remarked that the Ambassador was no doubt familiar with the proposed Kem Amendment and pointed out strongly that the vote in the Senate of 59 to 11 should not be misconstrued. For this he thought we all had to thank the Vice President who had adroitly ruled in such a way as to cause the Senate to choose between the adoption of the conference report or the rejection of the Mutual Security Bill. It was important, he said, that our friends abroad should not be lulled into a sense of security as a result of this action and he stated that he was competently advised that had the issue of the Kem Amendment alone come before the Senate at that time, it was highly probable that the Administration would have been defeated and the amendment adopted. In conclusion the Secretary stated that there was to be a meeting of the CG (COCOM) in Paris on June 24 for which Mr. Linder was going over.

In reply, Sir Oliver stated that he would like to make some purely personal observations, one of which was that in his opinion there was likely to be pressure in the course of the next year for a substantial increase of peaceful trade between the East and West. He thought if the U.S. could indicate its sympathy for the necessity and desirability of such business that we would be in a much better position to accomplish our objective of reducing the flow of prior commitments of List 1 items since then we would have something to offer. He added that while the Prime Minister would probably be shocked at the thought of shipment by the U.K. of items of primary strategic importance to the East, he would probably meet a very strong sentiment in Parliament that trade with the Bloc should be encouraged and expanded.

In reply, Mr. Linder stated that one of the items on the agenda of the forthcoming meeting was a discussion of the Moscow Economic Conference and that we suspected that there might be some move made to call a meeting on trade under the auspices possibly of the ECE. While we did not believe much would result from such a meeting, if the European countries were desirous of having it, the U.S. would not object. One of our difficulties in the matter of fostering so-called non-strategic trade related to differences of opinion as to the relative strategic importance of a particular item. While the British position in respect of rubber was understood by the Administration, it was nevertheless true that, as the Ambassador knew from the remarks of Senator Kem, a great many people in this country regarded rubber as an item of great strategic importance.

Sir Oliver said that the other point he had in mind was his concern about the crude rubber situation. The price had declined drastically and there was a general belief that it was affected adversely because it was assumed that the price of synthetic rubber produced by U.S. Government owned plants did not take into account all of the factors which would go into the fixing of a price by a private owner—specifically profit and taxes. He would hope, therefore, that the price could be adjusted upward so that it would reflect normal commercial practice. He conjectured that with the curtailment of synthetic production, high-cost items would be abandoned and production concentrated on the lower cost types. If that proved to be the case, as he feared the rubber people assumed, then on a "no profit" policy the price of synthetic would be reduced further, and that had been reflected in the price of crude.

Mr. Linder replied that active consideration was being given in the Government to the points which the Ambassador had made. We were not optimistic as to an increase in the price of synthetic but thought it highly improbable that the price would be reduced even though the Ambassador's surmise was correct in respect of concentration of synthetic production on low-cost types. The Ambassador then asked why this could not be announced, to which we responded that we thought an announcement of no probable reduction in price might well have the result of precluding the possibility of having the price adjusted upward. Nevertheless, we agreed to see what might be done.

The Ambassador, of course, agreed to transmit our views fully and at this point we indicated that while the amounts involved in the very hard core for the British were not large, U.K. action would influence greatly the other participating countries.[2]

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[2] A memorandum of conversation dated June 16 recorded a discussion between Secretary Acheson and Italian Ambassador Tarchiani similar to those which took place with the French (see *supra*) and British Ambassadors. (460.509/6–1652)

S/S-NSC files, lot 63 D 351, NSC 104 Series

Study Prepared in the Economic Defense Advisory Committee[1]

SECRET WASHINGTON, [June 12, 1952.]

REPORT ON ORGANIZED AND COORDINATED PROGRAM OF COVERT PRECLUSIVE BUYING

Feasibility of Preclusive Buying

1. Preclusive buying may be a useful instrument to further economic defense objectives in connection with a few commodities of which the supply is not readily susceptible of increase in response to price rises and in situations where the acquisition of limited quantities could be counted on to have real effect on the Soviet productive machine. There may also be spot cases of various sorts, difficult to define in advance, which may provide opportunities for effective preclusive buying.

2. On the other hand, if there are a number of sources of supply, if production of a given commodity is readily susceptible of increase in response to price rises, or if the cost of acquisition of the supply is very high, any of these factors can operate effectively to prevent a workable preclusive buying program. Indeed, in such circumstances the initiation of a preclusive buying program may do harm to the objective of denying strategic materials to the bloc by expanding the available supply or by prematurely sensitizing the bloc to the fact that its supply situation in the particular commodity is vulnerable.

3. It must also be recognized that the wisdom of undertaking a preclusive buying program depends in part on whether an adequate pool of intelligence exists on which to base the program, the extent to which covert tactics and particular war measures can be used in support of the program, and the alternative uses to which available funds could be put in building Western defenses. Despite the major intelligence effort which is being made at present, we do not know as much about the import dependence and the require-

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[1] According to a memorandum by Lay, dated June 12, transmitting this study to the National Security Council, the NSC Senior Staff had requested the EDAC on Feb. 11, 1952, to prepare a study of the desirability and feasibility of the initiation of a preclusive buying program. A memorandum by Counselor Bohlen to Assistant Secretary Thorp of June 10 indicated that the original draft had been submitted to the Department of State and had been forwarded with revisions to the NSC Senior Staff on June 5. (S/S-NSC files, lot 63 D 351, NSC 104 Series) The Senior Staff further revised the study and recommended its implementation through the EDAC. According to the memorandum of discussion at the 119th NSC meeting on June 18, 1952, Jack Gorrie, Chairman of the National Security Resources Board, concurred in the recommendations of the report, but no further action was indicated. (Truman Library, Truman papers)

ments of the Soviet bloc as we knew about Germany and Japan during the last war. Except in the Korean area we are not employing such measures as naval blockade and ship warrant systems which serve to narrow the channels in which goods move and make the penalties for illegal movements evident and effective. Finally, funds for prosecution of the cold war and possibly for preclusive buying are limited to a much greater degree than during the war when costs were not as limiting on action as they are now. The latter fact necessitates decisions between alternative uses of available funds, with the resultant measurement of suggested programs against stiffer standards at present than when funds are relatively free. In all these respects, it would appear that the basis on which to justify a large-scale preclusive buying program is not as solid under present circumstances as was the case in World War II.

4. A major additional point concerns the need to assure the co-ordination of procurement programs and preclusive buying programs. There are often found conflicts which are inherent in such programs. Preclusive operations may raise prices to a degree which makes the procurement of a particular commodity for defense needs more difficult with the limited funds available. Likewise, procurement programs may positively stimulate production to such an extent that preclusive purchase of additional supplies becomes a greater problem. Thus particular care must be taken in analyzing situations which appear to call for preclusive purchase activity.

5. A further limitation on the use of preclusive purchasing under present conditions is the limited degree of dependence by the Soviet bloc upon the free world for essential commodities. Frequently deliveries of such commodities to the Soviet bloc are tied in as an essential counterpart in an East-West trade agreement. Under these circumstances, it is especially difficult to employ preclusive buying operations as a means of preventing deliveries.

Applicability of Suggested Studies

6. The prospective opportunities for general use of preclusive buying techniques do not seem to be such as to warrant separate commodity studies of the scope suggested in the Annex to the NSRB study. However, commodity studies of general usefulness in economic defense work, such as the studies being done in connection with decreasing the economic reliance of the West on the Soviet bloc, may lead to the location of commodities which might warrant a specific program of preclusive purchase. The particular fields which seem promising, once identified, could thereafter be studied intensively to determine finally whether a preclusive purchase program should be instituted.

7. The Preclusive Buying Working Group of the Economic Defense Advisory Committee prepared the attached inventory[2] indicating the status of numerous studies and intelligence reports relating to the topics listed by the NSRB. These topics primarily concern economic defense in the broad sense rather than preclusive buying exclusively. The Department of State will review those studies which have been completed to see whether they suggest profitable lines of action in terms of preclusive purchasing programs related to particular commodities. This point will also be borne in mind in the preparation of reports not yet completed. In connection with the studies referred to above relating to decreasing the reliance of the West on the Soviet bloc, a positive approach has been developed and an Economic Defense Advisory Committee working group has been established to coordinate this activity which will cover the various subjects listed which appear to warrant further consideration.

Special Cases

8. The spot cases which may warrant handling on a preclusive purchase basis cannot be identified in general studies of the kind discussed in previous paragraphs. They will generally appear in day to day intelligence reports or other information channels. They may be noted by any one of several agencies. The proposed Intelligence Working Group would serve as a useful forum for identifying such cases. It is suggested that these special cases also be placed in the Economic Defense Advisory Committee for consideration as they arise.

9. Decisions on whether to engage in preclusive purchasing operations, either in a general field or in a specific case, should be reached in the Economic Defense Advisory Committee. The agency to undertake the actual purchase should be designated at that time. The agencies which might make the purchases and the funds to finance them have both been considered by the Working Group on Preclusive Buying, but additional study of both points seems warranted if future preclusive buying is to be undertaken without undue delay when the occasion for action arises.

Recommendations

10. It is recommended that the foregoing conclusions be approved and the Economic Defense Advisory Committee be directed to:

a. ensure the continuous review of current intelligence in order to identify spot cases which may warrant preclusive treatment;

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[2] Not printed.

b. review the operational aspects and administrative arrangements which would have to be made to expedite such individual preclusive purchases as the Committee might recommend; and

c. reach agreement as soon as possible on the question of available funds and the establishment of procedures to facilitate access to such funds, in order to permit the U.S. to be in a position to move quickly in specific cases.

Editorial Note

On June 23, 1952, volume I of the Report of the President's International Materials Policy Commission, entitled *Resources for Freedom: A Report to the President,* and an 81-page summary of that report under the same title were published. Four subsequent volumes, providing background material for the conclusions expressed in the first volume, were released later in 1952.

The International Materials Policy Commission, also called the Paley Commission after its chairman, William S. Paley, was established at the direction of the President on January 22, 1951, and was charged with determining the overall position of the United States with regard to its supply of raw materials necessary for national defense. The thrust of the Commission's report was that minerals, more so than other raw materials, were in such demand and were thus rising so rapidly in price that there existed a threat to "undermine our rising standard of living, impair the dynamic quality of American capitalism, and weaken the economic foundations of national security." In order to remove this threat, the report recommended that the United States acquire its minerals and other raw materials on the basis of "least cost," regardless of whether the supplying source was domestic or foreign. This would require, according to the report, the stimulation of foreign trade and the repeal of the "Buy American" Act, which the Commission characterized as "a relic of depression psychology."

On July 1, President Truman submitted the report to Congress for examination. He also directed the National Security Resources Board to conduct a continuing review of the entire materials situation and to establish a task force to suggest ways to implement the report, requested the views of other executive agencies on the report, and ordered the Bureau of the Budget to review the operations of the Executive branch with respect to the materials problem. Further documentation on the measures taken to implement the recommendations of the Paley Commission Report is in Department of State file 397.6. For additional information on the report and its receipt by President Truman, see the Department of State *Bulletin,* July 1, 1952, pages 54–60.

460.509/6-2652: Telegram

The Chargé in France (Achilles) to the Department of State[1]

SECRET PRIORITY PARIS, June 26, 1952—7 p.m.

8117. Excon. From Linder.

1. CG discussion of Moscow Econ Conf[2] June 25 led to no significant conclusions or unexpected results. Either directly or by implication, all dels reaffirmed adherence to security controls developed through COCOM and there was no move to relax them. At same time, several dels reaffirmed desire to expand East-West trade to maximum extent compatible with mutual security interest and Denmark and Norway Dels also felt further additions to intl lists shld be considered "critically". No specific resolutions passed on either point.

2. CG dels had before them summary report on Moscow Conf from COCOM secretariat (Doc 773[3]), not formally approved by COCOM, which stated that majority of PC's considered conf to be well-conceived propaganda move whose principal aim was to neutralize to the maximum extent effects of Western security controls. Opinion generally expressed by PC's after conf, according to report, was that it did not constitute any departure in Kremlin policy and there were no signs of sincere desire to cooperate with West. On contrary, aims of organizers of conf, in view of some govts, were: (a) To raise doubts and uncertainties in public mind by attempting to show that there is profound disagreement between views expressed officially by govt auths in PC's on subject of exports to Sov Bloc and attitude taken by industrialists and traders in same countries, and (b) To arouse interest among economists in theories on "so-called unity of Euro-Asiatic Continent" and among industrialists and traders in market possibilities, result of which wld be increased pressure on govts to relax controls. Report noted that conf aroused little public or industrial interest in US and Can, skepticism in UK, "some stir" in France and Italy and "a certain uneasiness" in Ger commercial circles. Under circumstances, some PC's considered "might be useful reaffirm vigorously the unanimity of view of all member govts in order to counteract the undoubted propaganda success of the conf and to safeguard unity of Western nations".

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[1] Repeated to Moscow, London, Bonn, Brussels, Copenhagen, The Hague, Lisbon, Oslo, Rome, Luxembourg, Bern, Helsinki, Stockholm, and Vienna.

[2] Regarding the Moscow Economic Conference, see the editorial note, p. 834.

[3] Not found in Department of State files.

3. Report on conf (being airpouched) reviews transactions negotiated at Moscow as reported to COCOM. CG did not discuss this aspect but noted that info still lacking from Ger and in part from UK. Report noted that PC's had not approved any of agmts concluded and wld decide whether to approve specific transactions when export licenses requested. Although info incomplete, it was "generally considered" by PC's that (a) Sov demand was principally for capital goods rather than consumer goods, for strategic articles, and for goods whose delivery already provided for in trade agmts, and that (b) Sov offers were for most part goods provided for in trade agmts, goods of "no great necessity" to Western countries, and goods whose delivery is "extremely doubtful" since offered as bait for conclusion of protocols.

4. Discussion in CG centered mainly on (a) whether there shld be more publicity about Western controls, particularly in order to answer domestic critics, and (b) whether CG/COCOM is proper place to discuss broader aspects of E-W trade such as general commercial policy and development of common line among PC's if faced with further Sov initiatives. Varying views expressed on these matters, and common agmt discernible only on such essentially procedural points as: (a) PC's have different domestic problems re publicity and will have to handle them as best they can in absence any agmt to relax secrecy and (b) CG/COCOM terms of reference ("all matters concerned with security controls", according to UK) shld not be broadened to cover so-called "polit" problems; hence, for example, advance discussion of attitude to be taken re participation in any future Moscow conf shld take place in "some other intl forum", understood to mean NATO. Dels seemed to agree that question whether COCOM could discuss "general E-W commercial policy" matters is largely hypothetical. It was in this connection that Den stated "civilian" trade shld be maximized and, to that end, PC's shld view expansion of security lists critically.

5. Ger proposal, as expected, was primarily that PC's shld reaffirm adherence to controls. Ger Del recognized that it might be premature to expect PC's to come out into open with "common line" of publicity on security controls and did not press this point. Felt nevertheless that Moscow Conf was "challenge" to Western controls which shld be met squarely by making Western position clear, and several other dels (esp Italy, Belg) took same line. France was only country which specifically opposed giving publicity "at this time" to the controls and to "motives behind them".

6. Belg Del dwelt on need for common policy and action in event of any future Sov initiative like Moscow Conf, and esp emphasized that govts shld be in position to explain security control policy (incl its intl scope) to their own nationals. Contrary to expectation, Belg

did not raise any substantive aspect of "general E-W commercial policy" for discussion.

7. Our net impression is that discussion served useful purpose in allaying any suspicions which may have arisen among PC's as result Moscow Conf, reaffirming solidarity of group in following present policies, and calling attention to importance of being better prepared to deal with the next Sov initiative. If opportunity existed in this forum to go forward constructively either in combatting propaganda gains from the Moscow Conf or in preparing for the next Sov move, however, it was largely missed.

ACHILLES

460.509/6–2652: Telegram

The Chargé in France (Achilles) to the Department of State [1]

SECRET PARIS, June 26, 1952—6 p.m.

8110. Excon. From Linder. Ref Embtel 8068 June 25, rptd or pouched above missions.[2]

1. In CG wind-up yesterday, summary of conclusions on US outstanding commitments proposal was taken up for clearance for record of discussions. It encountered strong movement to revise original conclusions to provide that PC responses to proposal be made to COCOM rather than US and be taken up for multilateral discussion (perhaps in CG). Some feeling that such discussion shld occur before final decision by PC's. However, final agreed text specifies that (a) US proposal be referred immediately to govts for urgent consideration, (b) PC's inform COCOM and US directly soonest of decisions, (c) info might be subsequently discussed at any PC's request. If such discussion is requested, decision will then be made whether reconvene CG for purpose. Likelihood of having such discussion uncertain due imminence COCOM recess and vacation time in capitals and Charpentier expressed hope CG mtg wld not be requested. Brit and Fr not desirous have CG mtg.

2. Movement started from Ital objection to fact summary referred to multilateral discussion only as a possibility dependent on request by any PC and specified PC replies to US shld not be deferred or made dependent on such discussion. Noting he had al-

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[1] Repeated to Copenhagen, The Hague, London, Bonn, Rome, Bern, Brussels, Helsinki, Lisbon, Luxembourg, Oslo, Stockholm, and Vienna.

[2] Not printed; it reported that the French and British Delegates to the CG, in a meeting with the U.S. Delegate prior to the convening of the CG, had agreed to review carefully trade commitments vis-à-vis the Soviet bloc made before the Battle Act was effected, but not yet fulfilled. This became known as the "prior commitment" question. (460.509/6–2552)

ready given his response on tankers, Denmark del nevertheless, on basis of principle, strongly supported idea that there be multilateral discussion, since US proposal entails multilateral considerations and is one of most important matters group has faced. He also felt discussion shld be in CG not COCOM, because of major polit considerations involved. Neth del supported Denmark. Fr took modified position, suggesting that, as matter of principle, responses be filed with secretariat rather than directly with US. With some support from UK (which had previously stated no intention request discussion of its case) US stressed important element is urgency and US anxious receive responses soonest. Also noted that when US first took up outstanding commitments matter at Jan CG, CG felt followup discussions shld be bilateral and, that, since then, US has not discussed its points on specific cases in COCOM, COCOM does not have full details on cases and COCOM therefore not in position express fully considered judgment. Also expressed opinion CG discussion *ex post facto* unlikely be productive.

3. US reps believe movement probably represented after thought (which Denmark grasped in order have partners in their present position) that any rejections of US proposal cld obtain support from other PC's if taken up multilaterally, that some PC's wld be unwilling undertake cancellations without knowing other PC's doing same, and that keeping Battle Act implementation within multilateral framework is desirable as general principle.

4. In connection with above developments, US reps feel important US objective is urgent consideration at earliest responses by PC's and that scheduling any multilateral discussions shld not delay such action. Do not see any real usefulness in *ex post facto* discussion and believe multilateral discussion shld be discouraged. However, if other PC's feel strongly, see no harm. In any event difficult for US to resist. If discussion were to be of such substantive nature as to have impact on decisions and on conclusions already reached, discussion shld be in CG.

5. If Dept agrees, suggest missions follow above in any bilateral talks in capitals.

ACHILLES

460.509/6–2652: Telegram

The Chargé in France (Achilles) to the Department of State [1]

SECRET PARIS, June 26, 1952—8 p.m.

8120. Excon. From Linder.

1. CG discussion of black list Jan [*Jun*] 24–25 led to agreement COCOM shld resume study soonest to work out procedure for "watch list" (liste de surveillance), which cld be put into operation without delay, on fol general principles (summarized):

a. Individuals WU or firms shld be placed on list whenever, under criteria COCOM to develop, there is reason believe their activities constitute danger to PC controls over strategic materials.

b. Resident of PC or PC overseas territories shld be nominated only thru PC govt. Govts having information re undesirable activities of other PC residents are urged make info available to PC govts so far as feasible.

c. Residents third countries may be nominated by any PC without necessarily consulting third govt. If, however, known to be PC nationals, their names shld be submitted only agreement with PC govt.

d. PCs shall take special precautions by making most thorough checks on all proposed transactions in strategic goods involving any person on list.

e. PCs shall report to COCOM any info obtained from such checks, with view to removing names from list where justified, retaining on list subject to above actions, or in appropriate cases, increasing stringency of restrictions.

f. More restrictive action wld normally be refusal of access to supplies of strategic goods. Where such tightening considered necessary for third country resident, third govt shld be consulted so far as possible.

g. COCOM was also directed estab principle of limitation on denial actions corresponding with principle in BL codification (para 3(B), Doc. 666 [2]).

2. At tripartite meeting before CG, French and UK expressed deep concern over use of term "black list", problem of nominating third country national in absence consultation with third govts and certain domestic legal problems. Though both regretted reversal of agrmt already reached in COCOM they felt polit considerations made this necessary. On basis UK suggestion, proposal for new watch list was drafted.

3. At CG, June 24 UK presented new proposal and supporting

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[1] Repeated to London, Bonn, Brussels, Copenhagen, The Hague, Lisbon, Oslo, Rome, Luxembourg, Bern, Helsinki, Stockholm, and Vienna.

[2] Not printed; dated Apr. 2, 1952, it listed criteria for placing firms or individuals on the Secret International Black List and procedures for proposing additions or deletions to that list and briefly discussed the sanctions to be applied to those listed. (E/MDAC files, lot 59 D 665)

reasons. Netherlands and Belg dels were highly critical of UK, French and Itals for reneging original COCOM agrmt, their unwillingness accept grey list as substitute for BL, and deep concern lest WL proposal result in less thorough check on strategic goods to firms not on WL. After further discussion working group was established to draft new version which was taken up in CG June 25 and finally accepted as summarized in para 1 above. This acceptance was for purpose of instr to COCOM, with final govt acceptance deferred until detailed procedure developed and referred back.

4. USDel called attention to longstanding recognition PC not obligated confine their controls to COCOM minimum level and stated US concurrence on proposed watch list procedure shld not be considered commitment not to take such further action as it saw fit in connection with its own watch list. Neth del was concerned by this statement but point was clarified when all dels agreed to limitation principle mentioned in para 1 (g) above.

5. Point in para 1 (b) above re providing info included at Neth request in order permit parent govt to look into suspicious cases even if not proposed for list. US rep in working group agreed such course generally but noted wld involve number of difficulties (workload, compromising intelligence, etc.) and shld, therefore, be explored further.

6. Question of special secrecy for list was briefly discussed Neth felt high degree secrecy essential; Italy doubted complete secrecy could be maintained; Den felt secrecy interfered with Den practices which entail consultation with industry and trade assocs. No final positions taken. Question to be further discussed in COCOM.

7. Major differences between new plan and previous black list agrmt seem to be:

(a) Changed character of list shld permit broader use, incl use for cases worth watching but nevertheless not meeting strict criterias of black list. This may increase security protection.

(b) Ultimate application of black list treatment is implied rather than specified. Is implied in concept of two classifications, one of which comes into use only after surveillance and is presumably limited to highly selected group.

(c) New plan contains provision contemplating third countries wld normally be consulted before severe action taken against its nationals. This may reduce possibility of adverse reactions from third countries.

(d) Previous concept of automatic denial is not as specific in new plan altho practice may produce same result.

(e) New plan does not, at least yet, provide for high degree of secrecy specified in black list agreement. Some possibility some relaxation of even normal secrecy may develop.

ACHILLES

460.509/8-452: Circular airgram

The Acting Secretary of State to Certain Diplomatic and Consular Offices [1]

SECRET WASHINGTON, August 4, 1952—5:30 p.m.

U.S. EAST-WEST TRADE POLICY

Excon. The following telegram from the American Ambassador at Moscow [2] is being repeated to certain posts as of interest to Chiefs of Mission and to officers concerned with the Economic Defense Program.

"When I met with Draper on my way to Moscow he asked me to bear in mind particularly here our east-west trade problems and to let him have any views I might be able to form on effectiveness and suitability of present program. In light of this I thought fol gen observations might be of interest to Dept and to him:

1. Answer to these questions depends in my opinion primarily on basic policy determination which I gather has not yet been made in manner commanding support of our govt as whole.

If basic purpose our policy in problems of trade with Commie areas is maximum restriction on exports which cld be expected to assist development of Commie milit potential, and if such things as desirability of maximum fon trade equilibrium on part of our allies and rapid emergence of those allies from econ dependence on us are regarded as secondary—if, in other words, we are prepared to make up by US aid whatever econ losses may occur to our allies by foregoing trade with Commies and to accept whatever other polit and other consequences may flow from such renunciation on their part, and if our allies are in agrmt with these propositions—then I wld say there is no valid reason in principle for us or our allies not to reduce trade with Commie areas to absolute minimum. Commie leaders are not, as a rule, going to import anything they do not feel will promote their gen purpose. Achievement of econ autarchy within Commie bloc and of maximum milit potential are prominent components of this purpose. They have no interest in trade for its own sake. This means there are not likely to be any form of imports to Commie area acceptable to Commie polit authorities which will not serve to promote developments politically and militarily disadvantageous to ourselves. Not only this, but Sov leaders will never hesitate, if it proves to their advantage, to exploit polit any econ ties with private interests in non-Commie world upon which those private interests may have become seriously dependent and thru which polit pressures can thus be brought on non-Commie govts. There are real dangers in any fon trade rels with

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[1] This circular airgram was sent to all major European posts, Hong Kong, Ottawa, and Tokyo.

[2] George F. Kennan; the telegram quoted here was originally sent as telegram 108 from Moscow, July 15, 1952. (411.6031/7-1552).

Commie area which produce important chronic or habitual dependence of fon firms on Commie orders or sources of supply. For these reasons, if effects of renunciation of E-W trade on our allies are secondary consideration, I cld only recommend sharpest restriction of all trade with Commie area.

On other hand, if we are giving first priority to unity and prosperity of non-Commie world, on theory that development of non-Commie potential is more important than destruction of Commie potential, and if transactions with Commie countries are to be looked at from standpoint of what they bring us as well as what they cost us—in other words, if what we are concerned with is net balance of our econ transactions with Commie world and not just what flows from us to them—then we have entirely different problem and one to which there can be, in my opinion, no generic solution. In this case, each trade agrmt or major transaction with Commie area wld have to be studied on its merits and a careful balance cast up as between likely benefit and detriment to free world. In this case it wld be extremely difficult to try to handle problems of E-W trade effectively on basis of any fixed norms such as those provided by natl legislation, internationally agreed lists, etc. Problem cld be effectively handled in these circumstances, only by flexible internatl authority with executive rather than advisory authority capable of working rapidly and quietly, examining each sitn on its merits, and having its decisions respected and promptly implemented by various Western govts concerned.

2. Doubt there is any important problem on path of increase in Sov and satellite industrial and milit power that Commie authorities will not be able to solve even in absence of all trade with non-Commie countries, but think their timetable of achievement may be appreciably affected by whether they are able to break specific bottlenecks thru prompt importations of high quality goods, particularly capital goods, readily available abroad or whether they have to wait until they are able to put such goods into effective production within their area. Problem of E-W trade, from their standpoint, is therefore probably rather one of timing than of any decisive effect on ultimate results of their industrial and milit effort. But timing may be of high importance.

3. I have no desire to see us expedite tempo of Commie milit industrialization and have misgivings, running back over more than 20 years of experience, about seeing non-Commie businessmen involve themselves in any unnecessarily extensive and habitual business ties with Commie trade monopolies. But my personal view has always been that morale and econ soundness of non-Commie world constitutes our safest and most hopeful objective, and that if we have to pay price for that soundness in form of certain amount of carefully restricted and guarded trade with Commie area, we shld look at it that way and concentrate only on making sure that price we pay is not too high. Kennan"

Bruce

460.509/8-852

Memorandum by the Officer in Charge of Economic Affairs, Office of Chinese Affairs (Hope) to the Director of That Office (McConaughy)

SECRET WASHINGTON, August 8, 1952.

Subject: Ambassador Kennan's Views on East-West Trade

The attached circular airgram of August 4 (control number 305, 5:30 p.m.[1]), contains a very interesting statement of a complicated and difficult policy problem with which the Department generally, and CA particularly, has been wrestling for several years.

In his usual authoritative and persuasive way, Mr. Kennan has made the case (1) that Communist regimes do not trade for trade's sake but only to obtain materials of benefit to their own purposes, which include importantly the military buildup and the achievement of autarchy within the Bloc; (2) that the Soviet leaders never hesitate to exploit politically any economic ties with private interests in the Free World which can be employed to bring pressures to bear on non-Communist governments; (3) that unless the United States is able to pick up the check and supply to Western Governments materials which they lose through cutting off trade with the Bloc, we are not in a very good position to force our friends to terminate economic relationships with the Bloc; (4) that there does not appear any important problem in the increase of Soviet Bloc industrial and military power which the Communists will not be able to solve even though cut off from the Free World, but the denial of high quality capital goods could slow up the Soviet timetable of achievement; and (5) that the morale and economic soundness of the non-Communist world is our "safest and most hopeful objective". Mr. Kennan is prepared, if necessary, for us to pay the price to achieve this objective in the form of a certain amount of carefully restricted and guarded trade with Communist areas.

Mr. Kennan's views have, I believe, a substantial following among the Department officers working on these problems. A somewhat deplorable sequel has been the tendency to accept as optimum the general level of controls which presently exists in the COCOM countries. This tendency has grown, abroad and at home, as the stalemate in Korea continues.

The ground swell of public opinion which led to the NSC decision in December 1950 to terminate all economic relationships with Communist China[2] has subsided to some extent, and the agencies of the Government which have been peculiarly responsive to public opinion in this field seem no longer quite as zealous as formerly in competition to strike the hardest economic blows at the Chinese Communists through sanctions on trade. This is no reflection on their patriotism but simply reflects discouragement at the reluctance of Western European countries to extend their controls.

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[1] *Supra.*

[2] For documentation on the decision to place an embargo on all shipments to the People's Republic of China, see *Foreign Relations*, 1950, vol. VI, pp. 619 ff.

As regards trade between Eastern and Western Europe, the Kennan conclusion is probably a sound one. I have read many arguments about the absolute requirements of Western Europe from Eastern European sources, and although in at least a few cases I suspect that the dependence is more psychological than real, I am not prepared to counter the assertion that Western Europe must obtain certain materials from Eastern Europe in order to keep healthy.

When we look at China as a supplier, Japan, however, appears as the one friendly nation about which it may be said that raw materials from China actually may be necessary to her continued economic life. The British have certainly tried eloquently to persuade us that the economic health, and perhaps the very existence, of Hong Kong depend upon its continuance as an entrepot. Therefore, some special treatment is accorded Japan and Hong Kong.

As far as the rest of the Free World is concerned, it appears clear that China, if it has a real desire for industrial expansion, needs the products of Western skill more than the rest of the world needs Chinese agricultural raw materials. Undoubtedly, Chinese vegetable oils, bristles, soybeans, casings, goat skins, and other traditional exports are attractive to foreign countries, but it is chiefly as a market for foreign manufactures that China has interested the trading nations of Western Europe and North America.

If this conclusion is valid, there is good justification for the continuation and advancement of the United States policy of treating China much more harshly than we treat other Soviet satellites. It is apparent that there has not been sufficient pressure on the Chinese Communists to cause them to desire ardently a truce in Korea. It is apparent that our area of maneuver is limited by the feelings of our Western European allies, and perhaps only in the field of economic sanctions can greater pressure be applied against the Chinese Communists without risk of taking actions which would seem so provocative to our allies as to jeopardize their support in the effort in Korea or in NATO.

Over many months, CA has labored to make clear to other areas of the Department the desirability of continuing the pressure of economic sanctions against the Chinese Communists by continuing our effort to have our allies in the United Nations move toward a sterner rather than a softer policy on security trade controls. We have received many setbacks. We sympathize with the practical difficulties of area desks which are dealing with intractable or reluctant countries. We do not like to belabor small or dependent countries, simply because we have the necessary power. We also realize that it is neat and logical to have a single policy which applies to all areas and all countries, but we do not think the situation allows this tidiness at the expense of possible real gains in bringing the Chinese Communists to terms, in delaying their timetable of industrial achievement, or in slowing up their possible aggressive intentions in areas in the Far East other than Korea.

Therefore to Kennan's statement that the answer to East-West trade questions depends "primarily on basic policy determination which I gather has not yet been made in a manner commanding support of our Government as a whole", I would comment that:

(1) The United States Government has a clear policy, codified by the NSC in December 1950, of ceasing virtually all economic relationships with Communist China so long as the aggressive intentions of the Communist regime continue. An essential corollary of this policy appears to me to be continued pressure, multilaterally and bilaterally, on all friendly nations to extend and expand their level of controls until they reach the nearest point to the level of United States controls which is feasible in view of their peculiar problems (e.g., Great Britain faces a special problem at Hong Kong). If we do not exert our utmost endeavors in this direction, we shall probably never know whether this policy is a right one or a wrong one, since by being apathetic to the trade of other countries with Communist China, even though it be concerned with "non-strategic" goods, we compromise our own total embargo while discriminating against United States commercial interests in favor of those who continue to trade.

(2) The Kennan statement is worded with sufficient care so that there appears nothing very inconsistent between his views and what I understand to be United States policy toward trade between Eastern and Western Europe. At the present time, we *do* pay the price for economic soundness in Western Europe of a "certain amount of carefully restricted and guarded trade" between Western Europe and the Soviet Bloc, and with fairness to the efforts of our people in the Department backstopping CoCom, I believe that we do "concentrate on making sure that the price we may is not too high".

(3) What we seem to require, therefore, is not a new policy or statement of policy, but rather fuller implementation of the existing economic policy towards Communist China (in the UNAMC, in CoCom, and by other arrangements as necessary) and clear recognition within the Department and with the other agencies having responsibilities in this field that there is, and should be, different treatment towards Communist China by the Free World than that accorded the European satellites who are important economically to Western Europe and who are not at the moment engaged in open aggression.

460.509/8-2552: Telegram

The Chargé in France (Achilles) to the Department of State[1]

SECRET PRIORITY PARIS, August 25, 1952—4 p.m.

1185. Excon.

1. Problems arising from COCOM secrecy restrictions seem approaching critical stage as result combination various factors e.g. forthcoming Battle act semi-annual report, exceptions granted or likely be granted in near future, congressional and public relations considerations (including those stressed by Battle on present tour[2]), Japanese admission to Paris group,[3] and recent publicity incidents noted Embtel 1159 Aug 22.[4]

2. Subj likely arise soon in COCOM as results publicity incidents and possibly as result Battle talks with participating countries interested in relaxing restrictions (e.g. Italy). Whether or not subj does so arise, USDel suggests US shld take initiative in seeking solution and further suggests this be done soonest (preferably this week), with view seeking at least gen discussion at Sept CG mtg. Solution will probably not be easy, owing gen attitude some participating countries against disclosures and publicity (particularly Fr) and preference of other participating countries for avoidance where possible (e.g. UK). However, strong support from some participating countries (e.g. Italy and possibly Ger) and partial support from other (e.g. Belgium and Neths) may be expected. Believe Battle tour may have helpful results in pointing up pol problems of common interest raised by secrecy.

3. As method for proceeding, USDel suggests matter be raised in COCOM along fol lines:

(a) At last several CG mtgs US has suggested that members agree to more liberal policy on disclosures and publicity. US opinion reinforced by publicity which has developed in recent weeks, which shows how secrecy blanket has shrunk and leads US to expect more interest, persistence and alertness by press, public and legislatures in future.

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[1] Repeated to Bonn, Brussels, Copenhagen, The Hague, Lisbon, London, Luxembourg, Oslo, and Rome.

[2] Representative Laurie C. Battle, the author of the Battle Act, had arrived in France on Aug. 13 to begin a 6-week factfinding tour of Europe. An initial report on his discussions with COCOM officials was transmitted in telegram 1066 from Paris, Aug. 19, not printed. (460.509/8-1952) For Representative Battle's own account of his findings, see his letter to Harriman, Sept. 29, 1952, p. 896.

[3] For documentation on the consideration of Japanese admission to COCOM and the subsequent formation of CHINCOM, see volume XIV.

[4] Not printed; it referred to the release by the Japanese Diet of a pamphlet entitled "Export Controls and Free World Security," a leak of the name "COCOM" in the *New York Times*, and a discussion of export control exceptions in *Newsweek*. (460.509/8-2252)

(b) Present secrecy policy dates from COCOM formation almost three years ago and was designed keep both its existence and details in complete secrecy. Since then, various disclosures and publicity (whether or not authorized) have brought existence and various major details into open. As result, review of policy in light current conditions seems desirable in order avoid complications of attempting to apply a policy which is no longer realistic, which prevents adequate handling domestic relations problems [of member?] govts (not US alone), and which places executive branches of govts in difficult position vis-à-vis their legislatures.

(c) Current sitn shld be brought more into line with that of NATO which, like CG/COCOM, is a defensive security activity and which has free disclosure on many aspects and strict secrecy on many others. (USDel hazards guess that eventual result of disclosures re COCOM cld be movement for some link with NATO in order operate under latter's [apparent garble] "recognized" defensive character rather than remain in open under risk of being characterized as offensive activity—i.e. econ warfare).

(d) US not suggesting secrecy be abandoned but that it be applied on practical basis and that "common line" on disclosures and publicity be developed as "guide" for member govts. Guide shld be regarded as a best-effort matter, since complete adherence may not be possible in emergency sitns and in extemporaneous discussions, such as in legislatures. Moreover, it shld be clearly recognized that journalistic treatment of available or supposed facts cannot be governmentally controlled.

(e) Under present COCOM policy there is general bias against any disclosures and publicity. Under existing circumstances US feels that the bias shld be removed, except for details really warranting continued secrecy, and that COCOM principles and procedures shld be changed accordingly. (USDel anticipates this point wld obtain some strong support and meet some strong opposition, but believes it nevertheless useful in setting tone of "new" approach).

(f) In any event, all can agree there are some aspects on which further efforts maintain secrecy wld be pointless (e.g. existence, name, location, membership, major activities and gen objective of COCOM), and other aspects on which secrecy efforts shld be maintained (e.g. specific contents of lists, nature and details of specific subjects under discussion, intelligence data). COCOM shld develop a listing of matters falling in each category—correlating first group with a catalogue of disclosures already made and adding any new matters on which agreement can be reached. An effort shld be made to reduce to minimum the remaining "gray area" in-between, on which there are differences of opinion as to need for secrecy or extent of secrecy needed.

(g) US suggests these two lists be submitted to govts (or if possible to CG at next mtg) with recommendation that secrecy restrictions be confined to second category. All other matters shld be considered disclosable, subj to agreement that govts will make "best efforts" to handle any matters falling in "gray area" with full regard to interests of other govts.

(h) If other govts object to proposal in (g) for handling "gray area" in each govt's discretion (and we admit such opposition likely), we cld fall back on other positions as folls: (1) Participating countries shld be "invited" to consult COCOM in advance of disclosing any new facts which "majority" of participating countries (or alternatively, "other participating countries") consider shld be kept secret; and in any event, advance notice of any new disclosures shld be given whenever possible; (2) COCOM shld develop "common line" on specific matters which fall in "gray area" and govts shld be urged to make "best efforts" adhere to recommended line, consulting with COCOM whenever possible before any significant deviation to be made; and (3) Participating countries shld consult COCOM in advance of disclosing any new facts, whenever possible, in order to develop acceptable "common line" on handling the particular matter. We recognize that (2) and (3) are not mutually exclusive, but see advantage in developing common line in advance rather than as individual cases arise, particularly since opposition to relaxing secrecy likely come from only one or two countries and might be overcome by finding acceptable language on the disputed matters.

4. Apart from question of relaxing secrecy regarding COCOM and the multilateral operation, USDel assumes it wld be useful to determine more precisely what info other govts have been or wld be willing to disclose concerning their own security controls and policies. We have in mind practical usefulness (e.g. with Congress) of being able discuss actions which individual participating countries have taken (e.g. refusal some reduction of specific strategic exports, or of total strategic exports over period of time). More liberal views of some participating countries than others, with respect secrecy, cld in this manner be used to our advantage even though greater degree of secrecy prevailed on collective picture. Suggestion that other govts inform COCOM as to what they are willing to have said about their own controls cld be put forward in COCOM along with approach proposed in para three, or cld be made bilaterally, or cld be made in COCOM with bilateral follow-up by our missions.

5. Appreciate Dept's comments and instructions on foregoing.

ACHILLES

460.509/9–1952 : Telegram

The Ambassador in France (Dunn) to the Department of State [1]

SECRET PARIS, September 19, 1952—7 p.m.

1751. Excon. Re CG meetings. Quadripartite mtg held Thursday morning, followed by CG mtg Thursday afternoon and Friday. During course Friday mtg, necessary to recess for informal heads of delegations meetings to settle membership issue described below. CG mtgs completed Friday afternoon.

Principal CG decisions were on China comite and secrecy issue. Latter being reported separate cable.[2]

CG decided create China comite, subject to reservation by Germany arising out of decision not to include that country among initial list of members having "permanent representation". Terms of decision follow approx those developed in Washington mtg.[3] Text of decision and of Linder and Ludden [4] statements being airpouched by Embassy desp 588, Sept 19.[5] In negotiations re membership, US emphasized need small effective comite, and UK, France supported position. Germany indicated membership essential. Other countries stated willingness accept small comite provided membership confined Washington group. Four countries each stated that if any enlargement in group, they would have to be included as well. Only way out of impasse was to confine membership to Washington group and note German reservation.

On Linder's return, he will wish discuss advisability instructing Bonn urge Fed Rep Govt withdraw reservation. In this connection, important note CG decision was dictated exclusively by fact four other countries would have insisted on their admission, thereby seriously reducing efficiency of group. There is no disagreement re fact Fed Rep has genuine interest in China trade. Moreover under terms CG agreement, Fed Rep or any other govt in Paris group could participate in proceedings China comite on same basis as permanent members whenever Fed Rep so chose. Finally, comite membership question will be reconsidered six months hence.

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[1] Repeated to London, Tokyo, Brussels, The Hague, Bonn, Lisbon, Rome, Oslo, Stockholm, Copenhagen, Ottawa, Hong Kong, Manila, Saigon, Djakarta, Rangoon, Bangkok, New Delhi, Karachi, and Colombo.

[2] Telegram 1781, *infra.*

[3] The reference here is to the Washington Five-Power meeting on export security controls held on July 28. At this meeting, attended by representatives from the United States, the United Kingdom, France, Canada, and Japan, the decision was taken, contrary to U.S. wishes, to establish a China Committee (CHINCOM) which was to be attached to COCOM in Paris but which was to include Japan in order better to control exports to the People's Republic of China. For documentation on the discussions and measures leading up to the integration of Japan into the Western export control effort, see volume XIV.

[4] Raymond P. Ludden, Counselor of the Embassy at Paris.

[5] Not printed. (460.509/9–1952)

Re China comite chairmanship. Comite will select own chairman. Canada rejected earlier proposal it accept chairmanship. During meeting of delegation heads, Charpentier suggested and Berthoud supported idea US assume chairmanship. Little support for suggestion that chairman might be drawn from country not permanent member of comite.

Creation comite will require increased contribution by US to secretariat staff and increase in US del. Separate message being sent on these requirements.

DUNN

460.509/9-2252: Telegram

The Ambassador in France (Dunn) to the Department of State[1]

SECRET PRIORITY PARIS, September 22, 1952—3 p.m.

1781. Excon. Ref Embtel 1751, Sept 19 rptd above missions.[2] Fol is summary of CG discussion of secrecy Sept 18 and 19.

1. Discussion of secrecy issue resulted in decision request COCOM draw up explicit proposals for submission to govts. US proposed three lists of items be developed: (1) Items which cld be disclosed hereafter without consultation (2) Items which must be kept secret in any case and (3) Items on which consultation was necessary prior to disclosure. While considerable support for this approach, some objections raised as well and unclear whether COCOM committed fol this pattern. In any event no commitment by any govts to accept proposals COCOM is to develop and perfectly evident that French, if faced with decision now, wld be unable accept because of decision made personally by Schuman just prior to mtg.

2. As indicated below, discussion made clear that various countries were more sympathetic to need for disclosure than has previously been case. Not clear however what "more disclosure" means to most countries, since little has been said by them in explicit terms. Discussion centered on US proposal (Doc 885) and on Ital proposal (Doc 900),[3] latter being effort at "middle of road" compro-

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[1] Repeated to Bonn, Brussels, Copenhagen, The Hague, London, Lisbon, Oslo, Rome, Luxembourg, Tokyo, Ottawa, Stockholm, Bern, Berlin, Helsinki, Trieste, and Vienna.

[2] *Supra.*

[3] Neither of the reference COCOM documents was found in Department of State files.

mise which emphasized that "any new info released shld aim at facilitating fulfillment of commitments entered into in COCOM" (e.g. publicity on IC/DV system in order make transit controls more effective). There was general reaffirmation of "principle" of maintaining considerable secrecy (i.e. existing rules of "minimum" and "necessary" disclosures and of prior consultation remain unchanged).

3. Question as to amount of publicity (or secrecy) re COCOM work which might be helpful in terms of making control effort more effective was left for COCOM to work out. Except for France, all members showed greater recognition of need for greater flexibility but did not go into detail and emphasized retention of basic bias in favor secrecy as point of departure. Main positions were as fols:

a. France stated that despite recent publicity, which it regretted, it must confirm its position that secrecy be maintained concerning existence and activities of COCOM (incl therefore existence of internationally agreed security controls over strategic trade). If any such disclosures made, it wld have to protest. On other hand French found US "procedural" proposals in Doc 885 "interesting" and would consider them "with objectivity". Nevertheless, French del in COCOM wld have to adopt formal position stated above (see para 4 below). (At quad session before CG mtg Charpentier stated that, on Schuman instruction, Fr position is against any disclosure concerning concerted effort deny goods to Sov bloc. Explained position stems from French-Russ protocol provision guaranteeing MFN treatment. Despite recognition of factors favoring disclosures, Fr unwilling officially confirm inhibition exists. Extent juridical question actually controls Fr judgment this issue not clear. Linder expressed hope French wld withhold final decision until after hearing other PC views in CG.)

b. Ger considered it absolutely necessary to change rules but did not go into detail. More publicity wld have no very sensational results, whereas impossible obtain necessary support from trade and legislatures unless more could be told. Necessary to prevent false rumors and dissipate unjust suspicions.

c. Denmark saw good reasons for more flexibility, especially where this wld be of practical help in implementing controls, but considered "principle" of secrecy should be maintained defining this in terms of permitting disclosures only after consultation in COCOM. Believed COCOM shld agree on some matters to be released, other to be kept secret, and on common line for certain other matters.

d. Norway agreed generally with Denmark but emphasized maintenance of secrecy as guiding principle and thought COCOM shld only draw up "positive" list of what cld be revealed. (Concurred in this end however that COCOM shld not be tied down by CG to any single approach in further study of question.)

e. Belg and Netherlands recognized practical problems involved, and considered docs 885 and 900 acceptable as basis for discussion. Belgium specifically stated that its former attitude on secrecy had changed and it wld not oppose more flexible rules. Luxembourg agreed.

f. Canada emphasized strongly that lists shld not be published. Thought that amount of info to be released depends upon administrative and political interest of member countries not merely upon their "security" interests.

g. Italy mentioned that its "compromise" proposal (Doc 900) would keep disclosures more or less within limits of what is already known to public. Believed COCOM shld study problem carefully and reach decision which wld not impede the useful work already accomplished.

h. Japan emphasized that its people interested in having as much info as possible, especially re China controls, and that "active free press" there would compound confusion by making up inaccurate stories on basis foreign press accounts unless Jap Govt on occasion in position to give true story.

i. UK took major part in discussion. Emphasized differences between what govts say about their own controls and what they say publicly about collective action thru COCOM. Statements in latter field affect all other countries. Thought it useful to collect and review all that has been said publicly, but did not consider it necessary confirm all matters which may have leaked to press. Stated UK had not been "firmly pro-secrecy" in past. General UK belief was that, on the whole, it is better maintain secrecy over as wide an area as possible, main consideration being whether it would help or hurt efficiency of controls if more disclosures made. Recognized that views differ on this, according to situation in various countries. UK took no position itself. Felt, however, that it was not consistent with concept of an informal *ad hoc* body that there should be publicity concerning its existence and activities as though it were a formal organization. Such confirmation wld naturally start chain of inquiries. Nothing more needed than mere recognition that there is an informal *ad hoc* group. Recommended problem be remitted to COCOM with instr to collect published material, "study what extension can be given" to present publicity, and make positive recommendations to govts. At early stage in CG discussion, UK stated that it wld pose fol question to other dels: How embarrassing wld it be if there were no strictly uniform rule on publicity but some flexibility admitted for individual countries to handle their own problems? UK later withdrew this question, stating that COCOM wld consider what might be said and that "whatever is agreed cld be permissive, with some countries using it and others not", hence there wld be flexibility in any event.

j. The US made prepared statement and series of comments pointing up practical aspects of situation and noting question of relaxation shld be considered in light of benefits to whole mutual def program rather than in light COCOM activity alone. (Text of statement being airpouched by Embdesp 603 Sept 22 [4]).

Immed fol CG mtg, COCOM resumed consideration Battle Act report (Doc 899 [5]). Outcome being reported by separate cable.[6]

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[5] Not found in Department of State files.

[6] Not printed.

S/S–NSC files, lot 63 D 351, NSC 104 Series

Memorandum by the Secretary of State and the Director of Mutual Security (Harriman) to the Executive Secretary of the National Security Council (Lay) [1]

SECRET WASHINGTON, September 22, 1952.

Subject: Fifth Progress Report on NSC 104/2 [2] "United States Policies and Programs in the Economic Field Which May Affect the War Potential of the Soviet Bloc"

NSC 104/2 was approved as Governmental policy on April 12, 1951. It is requested that this report (covering the period from March 1 to July 1, 1952) be circulated to the members of the Council for their information.

Summary

During the four-month period ending July 1, 1952, a great deal of effort was devoted to stock-taking for formulating and developing the basis for new programs in the economic defense field. Some of the economic security issues outstanding between the United States and its Western European Allies were sharpened to the extent that efforts began to be focused on resolving these issues, and, hopefully, paving the way for their solution. At the same time a number of substantial steps were taken both in the Executive Branch and abroad in this field.

The most difficult and important problem dealt with was that of the prior commitments of Western European governments for the export to Soviet bloc countries of strategic items included in Title I, Category B of the Battle Act. These prior commitments are of such a magnitude and composition that shipment of the total commitments would be serious from the standpoint of the security of the United States. The United States sought to reach an agreement whereby a so-called "hard core" of the items covered by these prior commitments (valued at about $6 million out of a total of $21 million) would be denied the Soviet bloc. This proposal was outlined by the Secretary of State in talks with the British and French Foreign Ministers, almost simultaneously with its discussion in the Consultative Group meeting of June 24-25. As of July 1 the Western European governments had promised to reconsider the matter, were doing so at cabinet levels, and were to inform us promptly of their decisions.

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[1] The progress report was transmitted to Lay under cover of an attached memorandum of Sept. 22 from Secretary Acheson and Harriman, not printed. Also attached to the source text, but not printed, was an appendix entitled "Problems of the Import Certificate and Delivery Verification System and other Transit Trade Problems."

[2] For text of NSC 104/2, see *Foreign Relations*, 1951, vol. I, p. 1059.

The Danish case, involving the export of a large tanker to the USSR pursuant to a 1948 trade agreement, served to dramatize the prior commitments issue during the latter part of June. The public and governmental reactions within Denmark and in other COCOM countries of the forceful representations of the United States illustrate the risk we run of jeopardizing the political and military cooperation of friendly countries over this issue when the threat—as these countries view it—of the termination of aid is used as a means of achieving compliance.

Particularly unfortunate and untimely were the press leaks on this case which greatly embarrassed our negotiations.

The United States should avoid generating a repetition of this type of crisis, although to do so appears almost impossible as a practical matter when we are confronted with Congressional action along the lines of the Kem Amendment to the Mutual Security Act of 1952, passed in the Senate on May 28.[3]

The subsequent Senate vote of 59–11 favoring passage of the Conference Report eliminating the Kem Amendment may not have reflected the true attitude of the Congress on the problem of security trade controls. There was every indication during the debate on the Conference Report that the Kem Amendment would have been passed in the Senate had it been able to vote on this issue alone.

Progress in obtaining international agreement in other areas of the economic defense program was not generally noteworthy. Nothing was accomplished in the field of shipping controls, particularly as regards multilateral measures directed at Communist China. Although no real multilateral progress was made towards closing the loopholes offered by the transit facilities in various countries of continental Europe, the problem has been under intensive study, and several developments occurred which may result in some remedial action in the period ahead. The Moscow Economic Conference proved worrisome, particularly from the standpoint of Soviet propaganda gains in under-developed areas and the arousing of mutual suspicions among business interests in various of the countries participating in COCOM.

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[3] Regarding the Kem Amendment, see the letter from Secretary Acheson to Senator Connally, June 9, p. 847.

Some hopeful signs were evident in Scandinavian successes in obtaining Polish coal at lower prices and without having to yield strategic goods to the same extent as formerly. How much of this success can be attributed to the hardened bargaining positions of these countries, buttressed by concrete United States support in the case of Denmark, and how much can be credited to the past mild winter are difficult to determine.

As anticipated, Japanese pressures for relaxing restrictions over trade with Communist China continued to grow after the effective date of the peace treaty on April 28.[4] The need for Japanese membership in a multilateral security trade control body became more immediate thereafter, and the question of the precise form of such membership became a matter of differences not only within the United States Government, but also among the United States, Canada, the United Kingdom, and France.

A great deal of effort was devoted to organizational aspects of the economic defense program within the United States Government. United States representatives abroad have been given a substantial volume of background and policy information on the economic defense programs for the purpose of developing a distinct program approach to the East-West trade problem. A positive result of this effort has been some excellent reporting by field missions. This can be sustained and extended only by means of an adequate appraisal program, which it has not yet been possible to institute because of personnel limitations. Along this same line action has been taken to organize available United States personnel abroad in an effective manner to deal with Battle Act and related economic defense program matters.

An undesirable, but perhaps unavoidable, development has been the demands placed by EDAC committees and working groups on the limited staffs in the agencies charged with carrying out the programs and policies of NSC 104/2 and the Battle Act. Provisions have been made for additional staff assistance in several agencies, however, and the intensified and fully coordinated development of economic defense programs and activities has resulted in an operation which is more closely integrated within the Executive Branch than has previously been the case.

Battle Act

During the period from March 1 to July 1, there was a considerable acceleration in the pace of activity under the Battle Act. Because of the urgency of the questions involved, most particularly those concerned with exceptions, major attention was directed to problems which arose under Title I of the Act. However, some progress has also been made in implementing Titles II and III of the Act.

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[4] For documentation concerning the conclusion of the Peace Treaty with Japan, see volume XIV.

Title I Activities

In the course of these four months the Western European countries' "prior commitments" to ship embargo items became a major stumbling block in implementing Title I. They present also a major dilemma. On the one hand, the overall magnitude of the commitments ($21.5 million) proved to be such that shipment of the entire quantity would be detrimental to United States security interests and difficult to justify to the Congress and the American public. On the other hand, it became clear that pressing the Europeans bilaterally to eliminate all their prior commitments, or even the most important of them, would worsen relations without yielding any significant measure of success. The primary reason for the attitude of the Western European governments is that they regard the Battle Act as an *ex post facto* attempt by the United States to change the agreed COCOM rules which allow for exceptions to embargo treatment in order to fulfill prior commitments. In addition, several of the governments protest that they have at present no legal authority to revoke export licenses once they have been issued; moreover, there is a reluctance to break the government-to-government commitments providing for the issuance of licenses.

In view of this, it was decided that the United States should try to dispose of the "prior commitments" problem once and for all. A concerted effort was made by an appeal to the Consultative Group that the countries concerned re-examine the security problem involved, and make every effort to eliminate the "hard core" items consisting mostly of basic long-term capital equipment in the form of steel processing equipment and metal-working machine tools and related components, and two Danish tankers, and possibly to eliminate or reduce the shipments of the remaining prior commitment items.

A series of steps were taken to impress the European governments with the importance attached to this problem by the United States. Preliminary to the meeting of the Consultative Group, the Secretary of State called in the British, French, and Italian Ambassadors[5] to explain our proposal and to stress the urgency of finding a solution for the prior commitments problem to help forestall enactment by the Congress of unworkable East-West trade legislation. On June 24 the Chairman of the United States Delegation[6] presented the United States proposal to the Consultative Group, and requested that the governments concerned consider it on an urgent basis. Subsequently, in his talks with the British and French Foreign Ministers[7] the Secretary of State brought this matter to their personal attention.

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[5] Sir Oliver Franks, Henri Bonnet, and Alberto Tarchiani, respectively.

[6] Assistant Secretary Linder.

As a result of this concerted effort, all the governments with prior commitments to ship embargo items to the Soviet bloc agreed once more to review the problem at a high level. As of July 1, no formal responses had been received, although there were indications that the United Kingdom might find it possible to eliminate some of its commitments. Simultaneously, the problem of Denmark's prior commitment to ship a tanker to the USSR came to a head. In this case, despite strong United States representations and the possibility of aid termination, the Danish Government felt compelled to honor the commitment.

While it is too early to tell whether the Danish action will set a precedent, it is possible that the United States will not be successful in securing elimination of all the "hard core" items. There is thus some prospect for continuing shipments of at least some of these "hard core" items in the future, as well as the bulk of non-hard core items. This brings to the fore the question of what attitude the United States should take under the Battle Act with regard to such shipments, once it has received formal replies from the United Kingdom, France, Italy, and the Federal Republic to our "hard core" proposal. Having made a strong effort to dispose of the prior commitments problem multilaterally, the only alternative courses of action left for the United States (depending to some extent on the nature of the replies), are (1) to continue to make bilateral representations as in the Danish case and to decide whether to grant an exception only after shipment is made, or (2) to inform the governments concerned in advance that the United States is prepared to grant exceptions for those prior commitments which they feel they must honor and to carry on any further bilateral discussions for the sole purpose of securing additional information upon which to base the exceptions. Further protracted negotiations with the United Kingdom, France, Italy, and the German Federal Republic on this issue may serve only to stiffen their resistance to pressure from the United States. On the other hand, it is evident that some of these items need not be shipped, and should not, in view of their strategic nature.

During this period, two exceptions were granted to permit continuation of aid despite shipments of embargo items. The first of these was issued on April 22 and involved the shipment by the

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[7] Sir Anthony Eden and Robert Schuman, respectively.

Netherlands to Poland of a prior commitment item, three oil well drilling rigs valued at $240,000. The second exception was issued on June 24 and concerned the shipment from Italy to Rumania of a centerless grinding machine valued at $11,000 which had been licensed (by error) for export prior to January 24, 1952. In addition to these public exceptions, a decision was made, after interagency consultation, that an exception should be granted in the future to Norway when shipments totalling 3,250 tons of embargo-type aluminum eventually are made to Czechoslovakia, Poland and the USSR under new trade agreements with those countries. At the end of the period there was also a backlog of cases involving shipments under prior commitments of Title I, Category B items. In all these cases, preliminary information had been received that shipment had occurred, but insufficient information had been received from the government concerned upon which to judge whether United States security interests called for cessation of aid or the granting of an exception. One of these cases concerned partial shipment by Italy of a rolling mill, an item which the United States had included in the "hard core" list of items which it felt should be eliminated from the prior commitments inventory. The remainder were principally shipments on schedule of prior commitment items by France to Poland, mostly machine tools, some of which were also included in the "hard core" group.

Title II Activities

Title II is an important area in which a major part of the future work under the Battle Act will be done.

After considerable study, preliminary steps have been taken to develop a Title II export control program on a commodity and country basis. A survey of each item on the United States strategic control lists is being made with the aim of determining for each commodity on a technical basis (a) the amount which might be exported to the Soviet bloc without endangering the security objectives of the free world, and (b) whether there is a problem country (or countries) with which the United States should negotiate to reduce the amount of the particular commodity exported by that country to the bloc. This survey is being made by some twenty-six technical task groups centered in the Office of International Trade.

The Title II Working Group, established early in February under the EDAC, will review the findings of the technical task groups together with the data assembled by geographical area task groups. The latter groups are to develop the other factors to be considered in determining a level of trade in International List II and other strategic items to be negotiated with particular countries. The recommendations of the Title II Working Group will ultimately be reviewed on a more formal interagency basis, after which the United

States will attempt to negotiate the levels of trade determined as being appropriate under Title II.

This survey is a formidable task which will take at least four months to complete. It will take into account the political and economic as well as the strategic factors involved, and cover all free world countries, not only the Western European.

Meanwhile, a review of the main accomplishments of the International List II negotiations shows on balance that substantial results have been obtained thus far. First, a more precise and effective structure has been established for the operation of quantitative controls. Secondly, specific maximum quotas have been fixed for 64 of the 88 items included in International List II; while certain of the quota limits (which total 27 million dollars) are not viewed by the United States as fully defensible on strategic grounds, they are generally defensible as the best obtainable from the recently concluded negotiations. Third, *quid pro quo* controls have been established for 24 items (of which 5 are subject to modified *quid pro quo* control) for which defensible quotas could not be agreed upon or where the quota approach was impractical.

Notwithstanding these accomplishments, it appears possible that List II exports in 1952 might exceed those reported for 1951. There are, however, serious shortcomings in attempting to evaluate progress in the quantitative control field through a simple statistical approach. Apart from technical difficulties, it might be tactically unwise to measure such progress by picturing steadily declining List II exports. One reason is that such a picture would lead to the expectation of further decreases in total value. This might not occur, even though the strategic significance of the quantities exported were reduced as a whole. Second, the logical extension of a progressively declining level of such exports is zero. This implication would make it difficult to convince other participating countries that the United States' approach is still selective. Finally, to compare total value figures for different periods may be misleading as an index to progress because the totals (assuming adjustments for price increases) are heavily affected by high value items such as ships. It does not follow that a 2-million-dollar vessel is four times more important from the strategic viewpoint than 500,000 dollars worth of bearings.

Title III Activities

There has been a good deal of concern in the United States Government over the question of how effectively the security trade controls agreed in COCOM are actually being implemented. When the head of the COCOM delegation was in Washington on consultation in late April and early May he expressed the opinion that the Canadian, British, Norwegian, Belgian, Danish and Dutch controls were implemented quite effectively. But since some COCOM countries regard discussion of individual countries' control mechanisms as being outside the Committee's competence, there has been little information on the laxity or failures of governments in operating their control systems. (Some excellent Foreign Service reporting has, however, been received and more is expected, in response to Economic Reporting Circular 34 of March 28, 1952,[8] which represented many months of intensive effort by several agencies.)

At a COCOM meeting on May 9 all delegates stated that their governments would welcome visits from the export control services of other participating countries to observe control methods. This is a hopeful sign.

A group from the Government of the Federal Republic of Germany, headed by the Director of the East-West Trade Group of the Ministry of Economics, arrived in the United States on July 1 for a month's study of United States export control operations, techniques and procedures.[9] This mission is the third of its kind, the first and second having been United States technical missions to the Federal Republic and Japan last fall and this April, respectively.

A working group has been set up under the EDAC to study export control techniques in order (1) to determine in which countries technical advice and assistance would be desirable; (2) to recommend appropriate programs for such advice and assistance; (3) to consider United States participation in an international exchange of key administrative export control personnel; and (4) to review what the United States could do to assist such an undertaking. This group's study should enable the United States to initiate discussion and action in COCOM on a program involving wider participation of member countries.

Implementation of NSC 91/1 [10]

Agreement has been reached within the United States Government which will enable the Department of Commerce to follow the provisions of NSC 91/1, particularly with respect to International List II and United States List II–B commodities, with a minimum of inconsistency with control programs to be developed for Title II commodities under the Battle Act. On June 16 the Secretary of

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[8] The document under reference has not been further identified.

[9] A memorandum of conversation between the Head of the German Delegation, Dr. Hans Kroll, and several officials in the Bureau of German Affairs, July 7, 1952, is in file 460.509/7–752.

[10] For text of NSC 91/1, "East-West Trade," Nov. 17, 1950, see *Foreign Relations*, 1950, vol. IV, p. 227.

Commerce directed the issuance of Department of Commerce Program Determination No. 810,* which accomplishes the following:

(1) Extends the security export control program to all friendly foreign countries in addition to COCOM countries, Sweden and Switzerland;

(2) covers items on United States Lists II and II–B, as well as those on Lists I and I–A;

(3) establishes the framework for treatment of capital equipment and production materials of both embargo and quantitative control classifications;

(4) clarifies the practice and methods of obtaining information and assurances;

(5) provides coordination with Battle Act activities;

(6) codifies all outstanding program determinations and notices of action on the subject; and

(7) permits a flexible and selective approach to the problem, particularly for United States List II and II–B items and capital equipment.

Under these arrangements, unless a country exceeds agreed Title II (or COCOM) export quotas, United States export licenses for identical items shall generally be granted. Specific problem cases, involving, for example, an important contribution by the United States to the ability of a country to fill its agreed quota, will be brought to the attention of the appropriate agencies and be dealt with by the Department of Commerce in the light of the general security interest of the United States.

Japanese Export Controls

During the period April 12–30 a United States technical mission composed of State and Commerce representatives was in Japan to discuss with SCAP, United States Embassy, and Japanese officials the problems of export controls and related matters. These discussions were a part of the turning over to the Japanese (on March 17) of the full responsibility for administering security trade controls. The mission obtained first-hand reactions of Japanese Government and business circles regarding continued restrictions on trade with Communist China.

The broad findings of the mission as set forth in its report of May 28 were as follows:

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*See Progress Report dated June 16, 1952 by the Secretary of Commerce on NSC 91/1, "East-West Trade", as amended by NSC 104/2. [Footnote in the source text. The Progress Report under reference, not printed, provided administrative guidelines by which the Office of International Trade was to be governed in making determinations of and recommendations concerning violations of the International Lists and the Battle Act lists. The Progress Report is in the S/P–NSC files, lot 61 D 167, NSC 91 Series.]

(1) As a matter of national pride and an affirmation of its regained sovereignty, Japan will insist on equality of treatment with other nations in the field of security export controls; difficulties will be encountered in trying to maintain stricter controls than those of Japan's principal competitors. Therefore, Japanese participation in an international organization to deal with these problems is essential to the maintenance of controls on trade with China.

(2) Japan considers that on the basis of its first-hand knowledge of China it could trade successfully with that country without any threat to Japanese security. What little security consciousness exists in Japan is directed towards the Soviet Union rather than Communist China.

(3) Trade with China is an important political and psychological issue. Controls over this trade will be blamed for many of Japan's economic ills regardless of the justification for such a contention.

(4) Technical assistance to the Japanese in the field of export controls is not necessary at this time, as export procedures are well developed and implemented.

As expected, and even before the effective date of the Peace Treaty (April 28), pressures on the Japanese authorities to resume trade with China were translated into action. The United States technical mission was presented with an informal request for agreement on relaxation of controls over five commodity categories (wool knitted goods, textile machinery, paper products, dyestuffs and galvanized iron sheets), which were not considered strategic by the Japanese Government. This request was later followed by a formal *aide-mémoire* to our Tokyo Embassy. After lengthy consideration of this request within the United States Government, the Japanese were informed that we could not formally concur in the relaxation of controls over the first four of these items, and that we preferred that an adjustment in controls be deferred until multilateral discussions are held. Recognizing, however, that because of domestic considerations the Japanese might feel compelled to allow the export of these items, we urged that minimum shipments only be made in exchange for important commodities, such as coal, iron ore and soybeans, and that publicity be avoided if possible. We noted that problems might conceivably develop in the future with regard to United States export policy to the extent that United States goods were involved in Japanese production and exports. We indicated that if the Japanese felt compelled to relax controls on these categories, we would strongly urge them to maintain controls over the galvanized iron sheets and certain other specific items within the four other general categories. As of July 1, the Japanese Government had not taken action to relax controls on any of these items.

Plans are in progress as of the date of this report for holding the multilateral discussions mentioned above on July 28 in Washington.[11] The participants will be the United States, United Kingdom, France, Canada and Japan.

Although the Japanese at first professed open-mindedness as to the exact form of their membership in an international security trade control body, they have recently come out strongly for participation in COCOM. An *aide-mémoire* stating this preference was delivered to the United States, and it is understood that similar communications were received by the United Kingdom and France. This desire is based on the similarity of Japan's control problems to those of the COCOM countries. Moreover, the Japanese Government believes it unlikely that other oriental countries would be brought into a separate Far Eastern group. COCOM is the only existing organization, and political pressures in Japan appear to require speedy adherence to an international group. The Japanese also fear that a separate organization would result in the perpetuation of stricter controls than those agreed unanimously in COCOM.

At the recent Consultative Group meeting June 24–25, information regarding the United States technical mission to Tokyo was transmitted to the participating countries. In accordance with previous discussions with the United Kingdom, France and Canada, the question of Japanese membership in COCOM was not raised substantively; rather, brief mention was made of the plan to hold exploratory meetings with the Japanese. It was also stated that the results would be reported to COCOM, and that no decision would be reached without consulting that body. All participating countries expressed agreement with this procedure.

Controls Over Transit Trade and Transshipments

Import Certificate and Delivery Verification (ICDV) System

It has been revealed that not until April 5, 1952 did the French Government introduce the ICDV system. (The last progress report [12] was in error in stating that all COCOM countries except the United States had implemented the full procedure by July 1951.) This was discovered through difficulties experienced by United States exporters in securing import certificates from French importers. The French system as introduced had many defects. Similar problems were reported for Italy, Norway, and the United Kingdom, although officials of these governments stated that certificates were being issued promptly and that they consider their systems are working effectively.

As a result, on May 29 the Commerce Department announced that under certain conditions exporters applying for licenses to ship strategic goods to the participating countries could submit foreign consignee statements in lieu of import certificates required under the ICDV system. It was emphasized that this modification of the import certificate requirement was for a limited period only and that exporters should continue to make every effort to obtain import certificates. (See Appendix for a further discussion of this and other transit-trade problems.)

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[11] For additional documentation concerning these discussions, see volume XIV.

[12] Dated Apr. 23, 1952, p. 834.

Belgian Proposal

For several months, it has been known that the Belgians planned to introduce into COCOM a proposal for the control of transit trade which would involve transshipment licensing over a selected list of strategic non-ferrous metals. The proposal was discussed in detail with the Dutch who evidently rejected it on the same grounds that they have consistently opposed physical controls over transit trade: namely, that financial controls should be used as a substitute for physical controls so that the burden of policing responsibility would not fall exclusively on the government of the transshipment point.

At the invitation of the Belgian Government the United States informally suggested a list of additional items for control. These were rejected on the basis that they did not meet the Belgian criteria for their listing, which listing evidently is based on raw and semifinished materials originating in non-participating countries. The Belgians formally introduced their proposal at the CG meeting of June 24–25 after the subject of transit controls was raised, as prearranged, by the United States Delegate. The proposal was referred to COCOM without comment.

From the United States standpoint, it would be desirable for the transshipment licensing controls to cover all International List I and II commodities. However, if the United States were to press for such comprehensive controls at this time, the initial but selective approach which has been proposed, and which holds some measure of promise from the practical standpoint of its possible acceptability in COCOM, might be jeopardized. The difficulties with the ICDV system and the numerous reports of continued diversions of significant quantities of copper, aluminum, lead and other highly strategic goods, including even bearings, render the Belgian initiative particularly important at this time. How speedily the proposal will be agreed in COCOM and then implemented is problematical.

Shipping Controls

During the period under review, no changes were made in the status of shipping controls applied by countries of the free world against the Soviet bloc, including Communist China. General dissatisfaction (see Appendix I to last progress report[13]) within the

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[13] Appendix I is not printed; see footnote 1, p. 854.

United States Government concerning the level of existing COCOM controls led to the establishment on May 5 of an interdepartmental working group under the Economic Defense Advisory Committee charged with the responsibility of reexamining United States shipping control policies. The next progress report will probably record the recommendations of this group.

Lack of agreement in COCOM as to the strategic importance of merchant vessels has kept these items under quantitative control, (*quid pro quo* treatment) but recent Western European deliveries to the Soviet bloc and planned construction appear to do violence to the International List II criterion that strategic importance is directly related to quantities exported to the bloc. COCOM country deliveries have shown the following pattern: 3 units in 1949 totalling 6,500 GRT; 7 units in 1950 totalling 17,000 GRT; 12 units in 1951 totalling 40,500 GRT; 4 units during January–May 1952 totalling 9,000 GRT; existing contracts for 18 units totalling 45,000 GRT. (These figures exclude, of course, a 13,000 GRT tanker (International List I) recently delivered to the USSR and a similar one committed for future delivery.) In 1951 these deliveries of vessels amounted to 50 percent of the value of total List II exports.

The United States believes that current Soviet acquisition of additional merchant vessels is of quite considerable importance to the Soviet bloc war potential. The increasing part played by Soviet flag vessels in supplying Communist China is a most important factor in this connection. Also nine-tenths of the vessels in the Soviet merchant fleet have speeds under 12 knots; two-thirds of them are over 20 years old; three-fourths are below 5,000 GRT; and three-fifths are coal burners. It is estimated that 96 percent of Soviet shipbuilding capacity is devoted to naval construction. In view of these data the continued availability of vessels in Western Europe not only supports an inadequate transport system, but may be an important factor enabling Soviet planners to continue to concentrate on naval construction, as well as resulting in Soviet acquisition of bigger, better, faster, and more specialized craft than might otherwise be available to the bloc.

One problem which is likely to become more important in the future in connection with United States efforts to reduce vessel deliveries to the bloc is the willingness of the bloc to pay substantial prices for obsolete vessels unsaleable in the West. The high level of ship construction in Western Europe since the end of World War II has largely compensated for wartime losses. It is likely that the problem of disposing of pre-war built vessels will present severe pressures on Western European governments to permit increased sales to the bloc.

No progress was made during the period under review on a series of United States proposals for controls over Western vessels engaged in trade with Communist China (see last progress report) . . .

Decreasing Reliance on Trade With the Soviet Bloc

In the four-month period ended July 1, 1952 the MSA substantially completed its series of studies on important commodities in East-West trade, issuing papers on chrome, manganese, tin and tungsten, and fish and fish products. Thus a rather comprehensive factual basis has been established for further work towards developing action programs to strengthen the bargaining position of friendly nations as against the Soviet bloc.

This work has been given a start, albeit a slow one, through the mechanism of an interagency Studies Coordination Working Group established early in May under the EDAC structure. (Three meetings of the Group were held in May, but none in June because of the pressure of several of the members' work on the Berlin Economic Countermeasures Group. See page 17 for an outline report on the work of this latter group.)

The Studies Coordination Working Group began its activities by considering in detail the situations of a number of Western European countries whose reliance on East-West trade appears to be significant. Such reliance was, from the Group's standpoint, agreed to be mainly a function of economic and security factors. In the light of these factors the Group turned to a consideration of the most effective means through which a lessening of the West's dependence on the bloc could be achieved practically. Exploration was initiated of the possibility of (1) increasing production in the free world of the main imports received from the Soviet bloc; of (2) systematically coordinating Western European countries' trade negotiations with the bloc countries, thereby minimizing—or extracting the greatest net advantage from—the inclusion of strategically important items in the trade agreements; and (3) providing alternative markets for Western European goods, particularly "soft" goods, now sold in the bloc.

Meanwhile, a Coal Action Program Working Group, established in late March, has been reviewing East-West trade agreements involving coal which are coming up for renewal in the near future. This is being done with the aim of anticipating the demands that will be made on the various Western European countries and the pressures to which they will be subjected and, wherever possible, recommending means of strengthening their bargaining power.

This plan of operation was decided upon after the Coal Action Program Working Group decided against the proposal of urging the

Western European countries to import large quantities of United States coal, say five million tons, this spring for stockpiling purposes. The idea underlying this proposal was to take advantage of declining freight rates and the easing demand for vessels. The reasons for rejecting this proposal are contained in the Working Group's report of May 12 to the Steering Group of the EDAC. The Working Group recommended instead that the MSA, through its representatives abroad and in conjunction with foreign government officials, attempt to determine desirable levels of stocks for each month of the year below which they should not be permitted to fall. This is in the process of being done.

An encouraging shift has taken place in recent months towards an improved Western bargaining position as far as Polish coal is concerned. A Polish-Swedish coal contract signed on May 30, after six weeks of hard bargaining, provides for a substantial reduction in prices (although they are still higher than average prices of British coal) and large deliveries prior to October 31. The Danish Government, moreover, was able to conclude an agreement on June 9 which will provide 750,000 tons of coal at prices based upon those fixed between Sweden and Poland and approximately 20 percent below those agreed last November between Denmark and Poland. This was accomplished without making a commitment to deliver a large second-hand tanker. The United States' liability resulting from its earlier undertaking to cover the net dollar cost of any shortfall in Polish deliveries below 1.17 million tons has thus been reduced from about 16 million dollars to 5 or 6 million.

The mild winter of 1951–52, extraordinary United States deliveries to Western Europe of 28 millions tons during 1951, and the hardened bargaining attitudes of Western European countries, together with timely exchanges of information among Sweden, Denmark and Norway, are the principal factors in this favorable shift of the terms of trade as regards one basic commodity received from the bloc. Whether this advantage will be retained remains to be seen. But apart from the important weather factor, this encouraging development points up the opportunities that should be actively pursued by way of strengthening Western European countries' bargaining positions.

This encouragement must be tempered with the realization that in some cases, notably the French, it is difficult to calculate the marginal significance of a fairly wide range of basic commodities received from the bloc for which the counterpart includes highly strategic goods. Commercial rivalries also continue to render even a small degree of coordinated bargaining difficult of attainment. The practice of Soviet bloc "shopping around", as exemplified by recent Soviet efforts to obtain four strategic cargo vessels in the

Netherlands—orders which the French, Belgians and Italians claim to have declined earlier—could undoubtedly be turned more to the advantage of the West given acceptance of the coordinated bargaining principle by all COCOM countries.

International Black List

United States agreement to provide advance notice to participating countries regarding administrative proceedings against their nationals resulted in withdrawal of the Netherlands reservation on the establishment of the Black List (see last progress report). However, considerable concern on the part of the other participating countries developed regarding the implications of a Black List when the codified version of the proposal was cleared on a high level within governments. Earlier agreements by them evidently had not had adequate intragovernmental clearance.

The United Kingdom, France and Italy particularly indicated their reluctance to accept the Black List concept, primarily because of the absence or limitation of legal authority to withhold export licenses and the resultant political repercussions if nationals or foreigners were to challenge governmental authority to deny export facilities. There was also a general hesitancy to employ a war-time measure such as a Black List during peace-time. Certain participating countries indicated a preference for a control list which would not make it mandatory to deny licenses, but which could be operated on a case-by-case basis by administrative rather than legal action. The question was therefore referred to the June meeting of the Consultative Group.

The meeting resulted in a decision to replace the Black List with a Watch List, the criteria for which are to be developed in COCOM. The main difference between this and the previously agreed Black List lies in the penalties to be applied. A Watch List would not make it compulsory to deny exports, but would oblige participating countries to make thorough checks before making security goods available to listed firms. In some instances this might result in outright denial of strategic goods to those firms. Other differences between this and the earlier proposal are that there is a greater leeway for inclusion of names on the Watch List, non-participating countries would normally be consulted before severe action is taken against their nationals, and the high degree of secrecy specified in the Black List agreement need not be maintained under this plan.

Preclusive Buying

The subject of pre-emptive operations has been given additional study. On February 28 the NSC Senior Staff asked the Economic Defense Advisory Committee (EDAC) for an evaluation of the

NSRB study, "Analysis of Possible U.S. Objectives and Course of Action with Respect to the Initiation of an Organized and Coordinated Program of Covert Preclusive Buying." An interdepartmental working group was set up to review the NSRB paper.

In its report the working group pointed out the many limitations on the use of preclusive buying as an effective instrument to promote economic defense objectives. It recognized, however, that in special cases preclusive purchase operations may be justified, and emphasized that all agencies should be alert to such special cases. These conclusions were subsequently noted by the NSC.† EDAC is ensuring the continuous review of current intelligence in order to identify spot cases warranting preclusive treatment and to reach agreement as soon as possible of fiscal and administrative arrangements that would permit the United States to move quickly in specific cases.

No cases were acted upon in the period under review, although a number are being investigated.

Berlin Economic Countermeasures

Upon the approval of NSC 132/1 on June 12, 1952,[14] a Working Group was set up under the EDAC to develop plans for economic countermeasures to possible Soviet action against Berlin. The Working Group has completed a draft report assessing the various economic measures which the United States alone or in concert with its Western European Allies might take to bring pressure on the USSR in the event of another Soviet blockade of Berlin or some other form of intensified action against the city. The final cleared version of this report should be ready for transmittal to the NSC in the near future. The report is essentially a survey of the economic weapons available to the Allies in situations short of war. The main weapons are in the field of trade; others are in the related fields of finance, transport, and communications. The report will contain estimates of the economic, political and psychological impacts in both the East and West of the various measures dealt with.[15]

The main problem at this point is that of consultation with our principal allies, including the Federal Republic. This consultation was about to be put underway as of the date of this report. In preparing for it the Working Group has emphasized the danger of arousing Western European suspicions that United States proposals are in the making for bringing about further long-run restrictions on East-West trade rather than developing a program of countermeasures of a temporary and reversible character which could be lifted when our particular objectives in Berlin might be obtained.

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†See memo for NSC from Executive Secretary, subject "Organized and Coordinated Program of Covert Preclusive Buying," dated June 12, 1952 and NSC Action No. 652. [Footnote in the source text. For the memorandum under reference, see p. 854.]

[14] For text of NSC 132/1, see volume VII.

[15] The "Report of the Economic Countermeasures Working Group," ED/SG D-12, Sept. 12, 1952, not printed, is in file 460.509/9-1252.

United States Financial and Import Controls

Foreign Assets Control Regulations

Portions of dollar accounts in the United States of eleven European banks have been blocked by Treasury under the Foreign Assets Control Regulations respecting Communist China and North Korea since their issuance December 17, 1950.

During the period under review strong protests were made by the Netherlands Government over the blocking (in March) of N. V. Slavenburg's Bank dollar accounts in the amount of over one million dollars. As a result of this case the Dutch have proposed certain bilateral procedures for any future blocking actions against their banks. Pending consideration of these proposals, Treasury has extended until mid-July an arrangement reached in May whereby the Dutch will be given at least 24 hours notice before further blocking action is taken against any Dutch nationals.

Swiss bankers also are exploring with Treasury the possibility of bilateral cooperation in preventing dollar transactions in violation of the Foreign Assets Control Regulations. The Swiss banking secrecy laws have been an obstacle to compliance with Treasury requests for information on suspect transactions.

The United States is considering the advisability of approaching other Western European countries bilaterally to obtain their cooperation in preventing violations of the Regulations, thereby minimizing the necessity of our taking blocking action against their banks.

In April, to close a developing loophole, the Foreign Assets Control further tightened its import restrictions prohibiting the importation into the United States of Communist Chinese goods. This was done by instructing collectors of customs to apply the restrictions applicable to Chinese goods to *all* importations of certain merchandise. This action was taken as a result of evidence that attempts were being made to circumvent the Regulations by sending Chinese goods into this country described as originating in countries other than China.

In June, Foreign Assets Control elaborated its April instructions by issuing two lists of specific commodities presumed to be of Chinese origin. One list sets forth commodities which, subject to certain exceptions, are presumed to be Chinese regardless of the country from which shipped. The other iist sets forth additional commodities presumed to be of Chinese origin if imported through Hong Kong, Macao, or any Soviet bloc country.

Dollar Earnings of European Soviet Bloc

In April, in response to questions raised in COCOM, the United States furnished data on its total 1951 payments balance with the European Soviet bloc which amounted to a United States deficit of about 68 million dollars. (1952 imports from the European Soviet bloc will be much less than in 1951; first quarter imports were only 10 million dollars in 1952.) Several COCOM delegations had stated the belief that the United States dollar is one of the most "strategic" items, and that failure to control it is a significant loophole in the control system. Some of the dollar exchange available to the Soviet bloc (mainly Poland, Czechoslovakia and the USSR) is undoubtedly used for financing illegal trade, but there is no conclusive evidence on how much of the total might be used thus. In any event, it is the United States position that existing security trade controls prevent or limit Soviet bloc purchases of strategic items with United States dollars or any other currency, and that the effectiveness of these controls would be enhanced by physical controls over transit trade and transshipments in certain parts of continental Europe.

There have been reports of attempts to ship goods of Czechoslovak origin to the United States through third countries. This would be an attempt to evade the effects of the current inability of Czechoslovakia to obtain consular invoices for direct exports to the United States, and as such could be an indication of a pinching shortage of dollar exchange.

The Moscow Economic Conference

There has been general agreement among the United States and Allied Governments as to the purposes of the Moscow Economic Conference, April 3–12. Its consequences and after-effects have been primarily in the political and propaganda fields. In general the Conference has had four principal results:

1. The development of some irritation and suspicion among government and business elements in Western Europe, based on the fear of losing present and future marketing opportunities in Eastern Europe to competitors. The relative size and importance of the British delegation to the Conference played no small part in generating these suspicions, particularly on the part of the Western Germans.
2. The agitation of sensitive issues in various countries, such as unemployment in the British, French and Japanese textile industries and the Italian shipbuilding industries, and the unsatisfied demand for capital equipment in underdeveloped countries.

3. The establishment of a new Communist front organization, a Permanent Committee for International Trade, to further the propaganda objectives of the Conference.

4. A small amount of trade. Out of a reported total of 500 million dollars worth of deals negotiated during the Conference, only three, involving an aggregate of 10 million and which could easily have been made in the absence of such a conference, had reached the completion stage by mid-June. It is not improbable, however, that the USSR or Communist China will complete one or two substantial deals involving the import of non-strategic goods in the near future to encourage Western participation in a second conference.

These results of the Conference were of sufficient importance to have constituted the initial principal reason for convening the Consultative Group meeting of June 24–25. While no significant conclusions came out of the meeting, all delegations did reaffirm adherence to the security controls developed in COCOM, and none suggested that they be relaxed. At the same time several delegations emphasized the desire to expand East-West trade to the maximum compatible with the mutual security interest. In general, the discussion helped to dispel the irritations which had arisen as a result of the Conference.

Meanwhile the Psychological Strategy Board has underway project "Plumage",[16] one of the objectives of which is to increase the degree of acceptance in the free world of United States economic security objectives vis-à-vis the Soviet orbit. One of the tasks under this objective would be an attempt to wrest the trade propaganda initiative from the Soviets.

Intelligence for Economic Defense

On April 25, in coordinated letters to the Director of Central Intelligence, the Director for Mutual Security and the Under Secretary of State, stressed the need for more complete and timely economic intelligence support for the effective implementation of their respective economic defense responsibilities and proposed the establishment of an Intelligence Working Group within the EDAC structure. This working group would develop closer continuous relationships among the operational, policy formulation and intelligence-research elements concerned with economic defense. In his reply the Director of Central Intelligence concurred in the proposals, including the chairmanship of the Group by CIA.

The Intelligence Working Group (IWG) held three preliminary meetings during the latter part of June which were concerned primarily with the drafting of its terms of reference.

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[16] Concerning this project, see the progress report on PSB D-28, Jan 14, 1953, p. 910.

Commodity and intelligence specialists of several agencies are participating in the overall survey of the items on the United States strategic control lists (see *Title II Activities,* page 5). It is hoped that within this process the bulk of the International List II commodities of priority importance can be thoroughly reviewed, and new analyses completed before the Paris discussions, scheduled for October and November, on 1953 quotas.

The Office of Intelligence and Research in the State Department has initiated a series of analyses of bilateral trade and trade agreement relations of East-West European trading partners. It is hoped that personnel in other agencies will also be assigned to this project in order to make it possible to complete a number of these analyses for use in connection with the forthcoming trade agreement negotiations.

Considerable attention has been given during the period under review to developing intelligence on shipping problems within the economic defense field.

The most ambitious project underway during the period under review was NIE 59: "Relative Strategic Importance of East-West Trade to the Soviet Bloc and to the Rest of the World."[17]

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[17] Dated Apr. 16, 1953, p. 949.

700.5 MSP/10-2952

Representative Laurie C. Battle to the Director of Mutual Security (Harriman)

SECRET WASHINGTON, September 29, 1952.

DEAR MR. HARRIMAN: As you can readily understand I am very much concerned with the administration of the Mutual Defense Assistance Control Act of 1951 (P.L. 213, 82nd Congress), frequently referred to as the Battle Act. I have just completed a detailed survey of operations under the Act which has included 6 weeks of study in Europe during which time I observed the operation of the controls of exports to the Soviet Bloc in 8 countries of Western Europe.

To summarize frankly, and perhaps bluntly, my impressions of the performance under the Mutual Defense Assistance Control Act I must say that in general I am not satisfied with what I have found. I say this in spite of the fact that a substantial degree of control has been imposed on exports from Western Europe to the countries behind the Iron Curtain and that I am acquainted with many specific accomplishments in denying strategic items to the Russian war machine for which you deserve commendation and which, if known to the people of the United States, would receive their hearty approval.

I plan to report my findings in detail to the Committee on Foreign Affairs but I am submitting to you immediately a brief statement of my observations together with certain suggestions in the hope that it may be possible to improve the effectiveness of the Mutual Defense Assistance Control Act and eliminate some of the principal causes of criticism of it before the next session of Congress.

First, it seems to me that the status of the lists of items to be embargoed or restricted is unsatisfactory. The Administrator of the Mutual Defense Assistance Control Act is required to determine which items should be embargoed by foreign nations to effectuate the purposes of the Act. In arriving at this determination an embargo list was established which contained fewer items than the United States was embargoing at that time. The United States continues to embargo 28 items which other countries are permitted to ship. I find in addition that the European countries which cooperate in an international organization (Cocom) to control exports to the Soviet Bloc have refused to agree to embargo 4 items on the Mutual Defense Assistance Control Act list. They have agreed to consult with the United States before any export of these 4 items and no shipments have been made since the Act went into effect, but nevertheless our allies have refused to agree to deny Russia these strategic materials.

Therefore, it seems to me that this entire situation is indefensible. Successful negotiations in reaching agreement on this embargo list is a necessity if a crisis is to be avoided when Cocom members decide to make such shipments. Also if materials are important enough for the United States to embargo they are important enough for the recipients of our aid to embargo.

Furthermore, I believe that there are a number of strategic items which are not now subject to embargo which should be embargoed. I believe this because the specialists in our own agencies in Washington say that these items should be cut off but report that such action has not been taken because other nations would not agree. The United States should consider the problems and points of view of other nations and get all the evidence other countries can give us as to the significance of particular items to the Soviet war machine. Nevertheless, the decision as to what items are to be embargoed under Public Law 213 is entirely a United States decision and we should not permit anything to be shipped which in our judgment should be stopped merely because other nations disapprove.

In my judgment action under the Mutual Defense Assistance Control Act has not been taken with the speed, vigor, decisiveness or aggressiveness necessary to obtain the maximum effectiveness in helping to win the war in Korea or to gain the advantage over Russia in the cold war by denial of war materials from the West.

In Europe the Battle Act effort is focused on Cocom and the Consultative Group rather than on work with individual countries. Cocom, although it is in almost continuous session, apparently concentrates primarily on low level discussions of details and decisive action is taken only by the Consultative Group which has met only three times (January, June and September 1952) since the Act went into effect. Except for Germany, comparatively little effort seems to be devoted to working with the export control officials of the individual countries to improve their control procedures and to develop new and better methods of reaching Soviet Bloc vulnerabilities. There seems to be little bilateral negotiation with individual governments to prepare the way for and speed up action by Cocom and the Consultative Group.

All this takes too long and appears to leave our allies in doubt as to just what we want, how badly we want it and where we are going.

It is my belief that in order to get effective administration of the Mutual Defense Assistance Control Act it is necessary to take the following steps:

1. Make the Administrator of the Battle Act responsible for negotiations with foreign governments. There is a lot of organizational and operating confusion now because the State Department and the Administrator of the Act are both directly involved in everything. Negotiation with foreign governments is one of the biggest jobs there is under the Battle Act. Success or failure in this field will make or break the program. Unless the Administrator has this responsibility he cannot properly be held accountable for results.

2. Set up an organization with an adequate staff to administer the Act rather than leave the job to interdepartmental committees. Under the present system nearly everyone working on the program has his primary loyalty and responsibility somewhere else. Furthermore, it is necessary to reconcile conflicting interagency views on details of operation before taking action. An organization should be set up which can go ahead with its work subject to normal review and policy guidance from interested departments and agencies but without having every action subject to prior interdepartmental negotiation before it can be taken.

3. There should be a Deputy Administrator for Europe who would function as a roving ambassador. He should go to countries where major problems arise and guide our local people in handling the situation. He should train and guide the Battle Act people in each country and should evaluate their work. No one is doing this now. As far as I can tell I am the only one from any branch of the

Government who has visited the leading European countries on a survey mission devoted to East-West trade matters since the Mutual Defense Assistance Control Act was passed. There is no substitute for having someone regularly in touch with the entire situation by first hand observation.

With the exception of France, I found the attitude of the European nations much more sympathetic and cooperative than I had expected. In several countries I was able to confer with business men and others on an unofficial basis as a result of personal contacts. In every case there was agreement that it was desirable to cut off strategic items from the Soviet Bloc. In all countries except France there seemed to be agreement that action along this line would be supported by the people even though injury was done to particular firms and industries as long as other nations were obeying the same rules. There was no evidence of deep seated resentment against the program or that any country had been pushed to the limit in obtaining compliance with the program.

Although I found in general a sympathetic and cooperative attitude in the countries which I visited it was very apparent that none of them regarded themselves as directly and urgently concerned with the fighting in Korea. Their approach toward controlling exports to the Iron Curtain countries was that of participants in a long drawn out cold war with years ahead in which to negotiate and maneuver. There was apparently no idea that all of the economic resources of the free world should be utilized in an effort to hasten a decision in Korea.

In all my conversations in Europe I emphasized the necessity for ending the secrecy concerning many of the operations involved in controlling exports to the Soviet Bloc. I pointed out that as long as Members of Congress and the American people see newspaper headlines about shipments that get to the Iron Curtain countries in spite of the Battle Act and no headlines about the accomplishments of our control efforts it is unlikely that our foreign aid program can survive. Again, with the exception of France my point seemed to be generally understood and accepted. I feel sure that a determined move by the United States can get agreement to make public most of the essential information concerning the control of East-West trade.

In London I found that deliveries are continuing and have been made since the beginning of 1952, in accordance with a previously announced schedule, of items on the embargo list for which prior commitments exist. I do not understand how this can occur without an exception being made as provided in the Act.

The present situation with regard to prior commitments puts the entire program in a bad light. A second tanker is being built in

Denmark for Russia. A series of exceptions apparently are contemplated for shipments made by other countries to fulfill pre-Battle Act contracts. The effect on Congressional opinion will inevitably be adverse. It will be extremely difficult to defend the foreign aid program in the next Congress when these facts are brought up in debate. I believe it is essential that something be done to alter the situation.

In closing I should like to make the point that my investigation has convinced me that the Executive Branch gives a lower priority to the control of exports to the Iron Curtain area as a device for gaining an advantage over the Russians in the present world conflict than I think is desirable. I believe that the Congress desires that a higher priority be given to this effort and will enact further legislation if necessary to assure that the desired emphasis be given.

Let me assure you that although my comments are critical my motives are entirely constructive. The important thing is that strategic items be kept away from the countries behind the Iron Curtain. I believe that we can and should do a better job than is now being done. I hope it will be possible to make substantial improvements before the next session of Congress and that the entire foreign aid program will benefit if this can be done.

I will be glad to discuss any of the points I have raised in greater detail and I want to cooperate in every way possible to improve operations under the Battle Act.

Sincerely yours,

LAURIE C. BATTLE

460.509/10–2452

Memorandum of Conversation, by the Officer in Charge of Economic Organization Affairs, Office of European Regional Affairs (Camp)

SECRET WASHINGTON, October 24, 1952.

Subject: *Aide-Mémoire* on COCOM Secrecy Arrangements

Participants: Ambassador Bonnet
Acting Secretary Bruce
E—Mr. Linder
RA—Miss Camp

Ambassador Bonnet saw the Acting Secretary at the latter's request on Friday, October 17. Mr. Bruce handed the French Ambassador the *Aide-Mémoire*[1] which had been prepared and outlined the past history with respect to discussions with the French looking toward some relaxation in the secrecy shrouding the COCOM operation. Mr. Bruce indicated that the French Government appeared to be the only one of the Governments participating in the COCOM which was opposed to a substantial lifting of the secrecy. Both Mr. Bruce and Mr. Linder emphasized the difficult position in which the Administration was placed as a result of current agreements on secrecy. It was pointed out that our position was particularly difficult to explain to sympathetic Congressmen, such as Mr. Battle, since most of the facts we wished to be able to disclose had already appeared from time to time in the Press of this and other countries. The Acting Secretary urged that the French give very serious consideration to a change in policy and, in particular, expressed the hope that the French representative on the COCOM committee which is now studying this policy might be given new instructions. Mr. Bruce told M. Bonnet that he felt sure Mr. Acheson would wish to discuss the problem with M. Schuman in New York unless, as was hoped, the French Government after studying the *Aide-Mémoire* felt it possible to agree to a reasonable amount of publicity.

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[1] Not found attached to the source text.

S/P-NSC files, lot 62 D 1, NSC 97 Series

Paper Prepared in the Petroleum Administration for Defense [1]

TOP SECRET
PAD Report No. 435

WASHINGTON, December 10, 1952.

A WORLD-WIDE PETROLEUM PROGRAM TO FUEL A MAJOR WAR 1953–1957

I. PURPOSE AND SCOPE

This report has been prepared at the request of the National Security Council and in conformity with a series of assumptions provided by that Agency.

The report has three main objectives: (1) to establish the probable minimum world-wide civilian and military requirements for petroleum in the event of a major war; (2) to analyze the adequacy of production, refining and transportation facilities to meet those requirements; and (3) to set forth what needs to be done to correct deficiencies where they may be indicated. All major areas of the world beyond the Communist dominated nations are covered.

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[1] This paper, which was 70 pages in length and included an additional 13-page statistical appendix, consists of 10 sections. In addition to the three printed here, it includes sections entitled "Basic Assumptions and Procedure", "Estimated Wartime Demand for Petroleum", "Supply of Crude Petroleum", "Supply of Natural Gas Liquids", "Supply of Refined Products", "United States Inland Transportation", and "Ocean Transportation". The paper was transmitted to the NSC Senior Staff under cover of a memorandum by Lay, dated Dec. 22, 1952, which indicated that the Senior Office of Defense Mobilization Member of the Staff had requested that it be considered.

The report represents a complete revision of an earlier study transmitted to the National Security Council on July 20, 1951 entitled "World-wide Demand and Supply of Petroleum in the Event of a Major War"[2] and of three supplements thereto which were completed later. Those supplements comprised detailed analyses of the adequacy of refinery facilities to make products in the relative volumes required and of inland transportation facilities and tankers to move the crude oil and products. This revision of the earlier study and its supplements coordinates requirements with detailed analyses of production, refining and transportation facilities and is therefore a complete study of all major aspects of the petroleum industry under the basic assumptions provided by the National Security Council.

The original assumptions established for the report conceived of two cases (A and B) regarding the areas to be held by the Allies and consequently the areas from which petroleum supplies might be drawn and for which requirements must be covered. The major difference is that in Case A the substantial crude oil producing regions of the Middle East are assumed to be lost, while in Case B, Bahrein, Saudi Arabia and Qatar are assumed to be retained.

A detailed analysis of Case B has not been made, but the results of retaining the three Middle East countries have been commented upon, particularly in the section devoted to the supply of crude petroleum. The reasons for this treatment are covered elsewhere in the report.

The conclusions of the study and the recommendations of the Petroleum Administration for Defense for meeting the problems of assuring an adequate supply of petroleum products to fuel a major war are outlined in the several succeeding pages, followed by a detailed supporting analysis and a statistical appendix.

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[2] Not printed; designated PAD Report No. 185, it includes 44 pages of text and several statistical exhibits and is divided into the following 7 sections: 1) Introduction; 2) Conclusions and Summary; 3) Recommendations; 4) Demand; 5) Supply; 6) Summary of World-Wide Demand and Supply; 7) Transportation. It assumed a five-year war beginning on July 1, 1952, and recommended an immediate acceleration in building refining capacity, an increase in pipelines and tankers, and more advance planning for future rationing. (S/P-NSC files, lot 61 D 167, NSC 97 Series) PAD Report No. 185 had formed the basis of NSC 97/2, approved Dec. 13, 1951; for text, see *Foreign Relations*, 1951, vol. I, p. 978.

II. SUMMARY

In the event of a major war beginning on July 1, 1953, it is expected that substantial deficits of crude oil, refining capacity and transportation will be encountered during the first six months. It appears possible to cover military and essential civilian requirements after the initial six months period by a combination of severe rationing and planned expansion of petroleum supplies and transportation facilities along the lines recommended in this report.

High Military Needs Largely Offset by Civilian Rationing

The estimated military petroleum requirements for fighting a major war jump from about 500,000 B/D just before D-Day to 1,700,000 B/D in the first six months of the conflict, and finally reach almost 3,000,000 B/D in 1957. Over 2,200,000 B/D of this peak military need would be consumed abroad. This means that the wartime oil supply problem is a global one, where all possible sources of oil, both domestic and foreign, must be utilized.

Drastic rationing of civilian needs world-wide will be imperative. It is estimated that complete elimination on non-essential consumption would save 1,200,000 B/D here in the United States and about 700,000 B/D in foreign countries. After allowing for an additional 400,000 B/D of demand lost along with those areas assumed in the study to be overrun by the enemy, it becomes apparent that over 2,000,000 B/D of military supply can be squeezed out of present civilian consumption.

In the first six months of the conflict, however, when rationing is not fully effective, substantial deficits are encountered.

World petroleum requirements in 1954 are considerably lower and thereafter are estimated to rise only moderately in the succeeding three years.

World Petroleum Requirements

(Thousands of B/D)

	Mobilization First Half 1953	Wartime				
		Last Half 1953	1954	1955	1956	1957
Civilian						
Inland:						
United States	7,036	6,489	5,933	5,966	6,018	6,039
Foreign	3,747	3,081	2,722	2,885	2,954	2,967

World Petroleum Requirements—Continued

(Thousands of B/D)

	Mobilization First Half 1953	Wartime				
		Last Half 1953	1954	1955	1956	1957
Military	538	1,706	2,004	2,457	2,827	2,990
Bunkers & Other	1,104	1,072	1,081	1,131	1,184	1,212
Total Requirements	12,425	12,348	11,740	12,439	12,983	13,208

Estimated 1957 wartime requirements are only about 6 percent above those in the first half of 1953. Clearly, by drastic civilian rationing, it is possible to hold total wartime petroleum consumption to levels not far above peacetime consumption. The wartime petroleum supply problem therefore, does not arise from excessive requirements, but rather from damage to and loss of supplies through enemy action.

A High Wartime Crude Oil Drilling Rate is Essential

In order to meet wartime crude oil requirements it will be essential to maintain a record high level of exploration and drilling activity steadily throughout the war period. The present study is based on maintaining record annual drilling rates of 50,000 wells in the United States and 6,300 wells abroad. Even with this high drilling activity, substantial crude oil shortages are encountered in the first six months of the conflict. Thereafter a reasonable but narrow balance could be maintained.

World Crude Oil Balance

(Thousands of B/D)

	Crude Available	Crude Required	Surplus/(Shortage)
1953–Last Half	10,915	11,592	−677
1954–Year	11,455	10,953	+502
1955–Year	11,875	11,598	+277
1956–Year	12,148	12,105	+43

World Crude Oil Balance—Continued

(Thousands of B/D)

	Crude Available	Crude Required	Surplus/ (Shortage)
1957-Year	12,378	12,293	+85

A cutback to 35,000 wells annually in the United States would mean a sizeable and intolerable crude oil shortage ranging up to 1,300,000 B/D by 1957.

The high drilling rates required for war cannot be assured without expansion of oil country tubular goods capacity in the United States. Steps to promote this expansion are regarded as an absolute requisite to an effective petroleum preparedness program.

The foregoing remarks all pertain to Case A of this report, wherein it is assumed that more than 2,000,000 B/D of Middle East oil will be denied to the Allies in wartime. This is the worst case considered, and the bulk of this analysis is devoted to it. In Case B, where Arabia, Bahrein and Qatar are assumed to be held, the tenuous world crude oil balance could be improved materially by use of Middle East crude oil. Present military guidance indicates that almost 1,000,000 B/D of crude oil could be made available from Arabia, Bahrein and Qatar in war, but that tanker losses in the area might be so high as to make it almost prohibitive to move the oil from those countries. It is important that the military re-evaluate the protection of tankers in this area to determine whether or not it might be made less costly to make this crude available in war to relieve the overtaxed Western Hemisphere resources.

There are, of course, many other reasons why Middle East oil is important to the western world. Although this report indicates steps through which it might be possible to offset the loss of Middle East oil in wartime, this should in no way be interpreted as meaning that the Middle East should be written off.

Refining Capacity Shortage Especially in First Six Months

Basic crude oil refining capacity will be deficient in the first six months of war by about 900,000 B/D when operated conventionally. However, prompt adaptation of refining operations to permit larger scale processing of crude oil on thermal cracking units would overcome most of this initial deficiency. Completion of an estimated 1,300,000 B/D of refining capacity under construction at the outbreak of war affords a reasonable balance of capacity against requirements in 1954 and 1955. Construction of at least 400,000 B/D and preferably 500,000 B/D of added capacity must be started shortly after the war to meet anticipated 1956 and 1957 needs.

World Refining Balance

(Thousands of B/D)

	Last Half 1953	1954	1955	1956	1957
Long/(Short) Position Against Conventional Operation	(900)	104	107	(287)	(317)
Effect of Running Crude on Thermal Cracking Coils	400 to 600	—	—	—	—
New Capacity Begun During War	—	—	—	400	500
Net Long/(Short)	(300) to (500)	104	107	113	183

Loss of refining capacity due to sabotage and bombing is an important reason for the tight refining position. Military guidance anticipates a temporary loss of about 450,000 B/D of U.S. refining capacity in the early part of the war, and more permanent loss of about 1,000,000 B/D of refining capacity in retained foreign areas. In addition, under Case A nearly 700,000 B/D of refining capacity is assumed to be lost in Western Germany, Sweden, Burma and the Middle East . . . .

Aviation Gasoline Shortage is Serious

Estimated wartime aviation gasoline requirements of 500,000 B/D to 600,000 B/D present the most serious supply problem in the field of petroleum refining. A shortage of 200,000 B/D is indicated for the first six months of the war and no practical measures other than stockpiling product prior to the outbreak of the conflict are available for meeting this deficit. To cover requirements for subsequent years will necessitate construction of additional alkylate capacity totaling 90,000 B/D over and above that presently under construction or definitely planned. Of this 90,000 B/D total, at least 30,000 B/D should be initiated now and the necessary emergency measures should be taken to assure its completion by the beginning of 1954. Such measures are required because this schedule means engineering and construction in a one year period as contrasted to the normal two years for completion of such facilities.

U.S. Gulf to East Coast Pipeline Capacity Must be Expanded

Inland transportation facilities of the United States could be stretched to handle the oil requirements of the first six months of the conflict only if a number of expansions and emergency alterations of existing pipelines were promptly made after the start of the war. In addition, maximum utilization of mobile transportation would be required.

To provide necessary flexibility in transportation and to reduce tanker requirements, several major pipeline construction projects would be necessary. One of these is construction of a new 30-inch crude line along the "Big Inch" line from Texas to the East Coast, utilizing existing pumping equipment. In addition, the "Little Big Inch" should be reconverted from gas to oil service and a new 30-inch line built from Lima, Ohio to Philadelphia. These major projects could virtually eliminate tanker transportation from the Gulf to the East Coast and assure the continuity of this important oil movement in wartime.

Major Wartime Tanker Construction Program Must be Planned

The problem of tanker tonnage availability appears to be one of the most serious aspects of the wartime petroleum supply problem. Based on military guidance it is estimated that almost 1,500 tankers (expressed as T-2 tanker equivalents), amounting to over 90 percent of the present tanker fleet, would be sunk by enemy action in the course of a four-and-one-half year war. An effective program must be developed for construction of up to 400 T-2 equivalent tankers per year during the war.

Even such a major tanker construction program could not avert a tanker shortage during the first six months of a war. It appears that the Department of Defense should intensify its efforts to decrease wartime tanker losses.

III. RECOMMENDATIONS

A. Crude Oil Production

1. Provision must be made for a wartime drilling program of 50,000 wells a year in the United States and of 6,300 wells annually in retained foreign areas.

2. The National Production Authority and PAD, in collaboration, should take immediate steps to assure coverage of the tubular goods requirements for such a wartime drilling program. The first step should be the preparation of a study to determine the availability of oil country tubular goods in wartime after taking into ac-

count military needs for rockets, shells and the like, as well as the probable loss of some foreign mill capacity.

3. It is strongly recommended that the military reappraise the possibilities of better protection of tankers moving crude from the Middle East so that this crude can be made available in wartime.

4. The need to develop sufficient locations to drill the recommended number of wells each year points up the necessity for Congress promptly to resolve the legal uncertainties which have stagnated development of the tidelands.

B. Crude Oil Refining

1. PAD should develop a survey of all larger refineries to determine the feasibility of converting thermal cracking units to crude topping service and to have in readiness a specific program for the prompt conversion of all facilities possible to that service in the event of a war.

2. Provision must be made for construction of a minimum of 400,000 to 500,000 B/D of crude topping capacity in addition to completion of the 1,300,000 B/D of balanced refining capacity expected to be in process on the date of the outbreak of the assumed conflict.

3. Post attack rehabilitation and reconstruction, especially for refineries, should be studied and an effective program worked out for meeting these problems.

C. Aviation Gasoline

1. It is recommended that the military begin immediately to stockpile additional aviation gasoline and accept more excess cost product currently available to accomplish this end.

2. Additional alkylate facilities totaling 90,000 B/D will be required over and above those presently under construction or definitely planned. Of this total, at least 30,000 B/D should be initiated now and the necessary emergency measures taken to assure completion of construction by the beginning of 1954. Construction of the remaining 60,000 B/D of alkylate capacity must be initiated soon after the assumed outbreak of the war. Government and industry must work out a way to build these facilities which are only needed for war. Recommended changes in the "Facilities Contract" which have been made to the Munitions Board by PAD should be approved promptly as a first step in meeting this problem.

3. PAD should develop a specific operating plan for the nation's refineries which would maximize wartime aviation gasoline production. The military procurement agencies should follow this work so that the uneconomic aspects of the problem will not be a factor in delaying the application of the program in time of war.

D. Inland Transportation

1. It is recommended that PAD develop detailed plans for the immediate expansion, after the outbreak of the assumed war, of four existing pipeline systems and for the substantial change in operations of several others. Provision must be made for accomplishing these objectives within the space of about three months.

2. PAD should thoroughly investigate the problems of constructing two major crude oil pipeline systems and of converting the "Little Big Inch" line from natural gas to refined products service, and should develop plans for the prompt initiation of these projects in the event of a major war.

3. It is assumed that production in the Elk Hills Naval Reserve will be immediately reopened upon the outbreak of a war. The military should take prompt action to provide pipeline transportation to handle this production, being guided by the study now under way in PAD of available facilities in that area.

E. Tanker Transportation

1. The Maritime Administration should develop promptly a program having as its minimum objective making available a total of 300 new tankers (T-2 equivalents) during the first 18 months of the war and of 400 per year thereafter. PAD should cooperate with the Maritime Administration in working out the optimum program.

2. The Maritime Administration should consider what other steps might be taken to meet a shortage of 275 T-2 equivalents in the first six months of war.

3. The Department of Defense should intensify its efforts to develop means of reducing wartime tanker losses.

F. General Recommendations

1. A program of rationing civilian consumption of petroleum products in this country should be completed as soon as possible in all its administrative details and held in readiness to be activated, upon the outbreak of hostilities, more promptly than has been assumed in this report. The interagency Petroleum Requirements Committee recently initiated by PAD as the organization to determine the allocation of available supplies of petroleum products to various consumer groups in wartime should be organized on a stand-by basis. The Economic Stabilization Agency has made good progress on the problem of rationing petroleum products at the consumer level and should be encouraged to continue its work in that field.

2. The State Department and the U.S. delegations to the NATO Petroleum Planning Committee should continue their efforts to en-

courage other nations to develop stand-by petroleum rationing programs.

3. The Military should take steps to reduce liftings of products during the first six months of war by buying ahead and/or deferring liftings.

4. The Military should consider the availability of petroleum products in design and planning the use of its equipment. For instance, lower octane quality for even a portion of the military aviation gasoline requirements would assist materially in meeting the volume requirements. Again, the large volume of motor gasoline available in wartime from rationing of civilian consumption makes this product preferable over diesel oils in automotive equipment.

5. In view of the indicated shortages of crude oil, refining capacity and transportation in the first six months of the war, crude oil and products should be stockpiled before D-Day.

PSB files, lot 62 D 333, "PSB D-28"

Paper Prepared by the Planning Panel on PSB D-28 [1]

SECRET WASHINGTON, January 14, 1953.

PROGRESS REPORT ON PSB D-28—PSYCHOLOGICAL STRATEGY PLAN FOR ECONOMIC SECURITY VIS-À-VIS THE SOVIET ORBIT

1. The Board approved the terms of reference [2] for this plan 24 June, 1952.

2. The two analyses called for in the terms of reference were completed by the Office of Intelligence Research, Department of State.[3] These were:

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[1] This paper, circulated under cover of a memorandum by Alan G. Kirk, the Acting Director of the PSB, to Under Secretary of State Bruce, Deputy Secretary of Defense Foster, Director of Central Intelligence Smith, General Willard C. Young of the JCS, and Director of Mutual Security Harriman, apparently ended the involvement of the PSB in economic defense activities. According to a memorandum of Mar. 9, 1953, by George A. Morgan, the new Acting Director of the PSB, to Under Secretary of State Smith, Morgan planned to disband the panel concerned with PSB D-28, "as it has been impossible to obtain agreement on certain basic issues". Although Morgan left open the possibility of reviving the panel once these "basic issues" had been resolved at a higher level, there is no evidence in the Department of State files that it was ever revived. (PSB files, lot 62 D 333, "PSB D-28")

[2] Not printed; the terms of reference, designated PSB D-28 and provided with the code name "Plumage", set forth as the objectives of the project the following:

"a. To increase the degree of acceptance in the Free World of U.S. economic security objectives vis-à-vis the Soviet orbit.

"b. To weaken the Soviet control over the orbit countries by capitalizing on and obstructing Soviet economic exploitation of captive Europe and China through psychological operations." (PSB files, lot 62 D 333, "PSB D-28")

[3] Not found in Department of State files.

(a) The factors which create resistance to U.S. economic security objectives vis-à-vis the Soviet Orbit.

(b) The extent of Soviet economic exploitation of the captive countries and the vulnerability created thereby.

These analyses have been given wide circulation and were made available to the Voice of America and Radio Free Europe.

3. Mr. John Haskell, Vice-president of the New York Stock Exchange, a consultant to the Director of PSB, sounded out the views of public opinion leaders and businessmen in the U.K., Belgium, France, Switzerland and Germany with respect to the psychological aspects of current East-West trade policies. His findings [4] were circulated without comment to interested U.S. officials.

4. At the fourth meeting of the planning panel [5] it was agreed that no effective psychological strategy could be developed until Mr. Harriman's Economic Defense Advisory Committee reached a policy decision on the question of what the U.S. could tell foreign governments regarding our position on non-strategic trade with the Orbit.

5. These matters were discussed at the U.S. Economic Defense Officers meeting held in Paris in November.[6] Subsequently it has become agreed policy that U.S. trade control objectives can best be realized by indirection rather than by a U.S. propaganda campaign, which probably would be regarded by the foreign governments and peoples as unwarranted intervention. It is also agreed that an indirect information program will be most likely to succeed if the U.S. can convincingly demonstrate that it does not oppose the expansion of non-strategic East-West trade and is in the process of reducing U.S. trade barriers. This will be difficult to accomplish since it was also agreed that any statement wherein the U.S. set forth that it would not oppose the expansion of non-strategic East-West trade must at the same time call attention to (a) Soviet political motives in trade; (b) the fact that non-strategic trade should not create dangerous dependency upon Eastern markets or sources of supply; (c) that the Soviet Orbit not be permitted to use trade as a means of extracting strategic goods from the free world.

6. The panel unanimously agrees that the USSR is vulnerable to psychological attack because of its exploitation of the captive economies and its opposition to the expansion of peaceful, nonstra-

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[4] Not found in Department of State files.

[5] No records of the meetings of the planning panel have been found in Department of State files.

[6] According to a circular airgram of Nov. 14, 1952, the meeting under reference was to convene on Nov. 17 and last for four or five days. (460.009/11-1452) None of the reporting from Paris, either in telegraphic or despatch form, for the days or weeks succeeding that date contains any further reference to the meeting.

tegic trade. A PSB staff paper,[7] prepared earlier with this point in mind was discussed, but no agreement has been reached. The staff paper recommends that the Soviet position in captive Europe be attacked by a concerted and highly publicized offer by the Western Governments to export to captive Europe approximately $400 million worth of consumer goods and other non-strategic items.

The paper develops the argument that since these goods are now available on the open market in Western Europe with no export control, it is clear that, though the people of captive Europe are eager for more consumer goods, since they are not being purchased the USSR is obviously opposed to such trade. A highly publicized offer to expand trade in non-strategic goods, rejected by the USSR as was the Marshall Plan, would be calculated to expose the falseness of Soviet propaganda on behalf of peaceful trade, and would provide the West with a weapon for constant attack behind the Iron Curtain the paper concluded.

Questions have been raised regarding a possible negative Congressional reaction, and there is some feeling that this psychological strategy would be very difficult to negotiate with the other Western European Governments since they are still interested in peaceful trade with the Orbit countries and may oppose a psychological attack because future economic relations may be considered more important than propaganda gains. It was also felt that a non-strategic trade offer at the present time might create confusion in the public mind of Western Europe regarding the importance attached to the strategic trade controls since some Western European Governments have not yet made public their policies regarding the control of strategic trade.

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[7] This is presumably a reference to a draft Staff Report of Feb. 20, 1952, not printed.

S/S-NSC files, lot 63 D 351, NSC 104 Series

Memorandum by the Secretary of State and the Director of Mutual Security (Harriman) to the Executive Secretary of the National Security Council (Lay)[1]

SECRET WASHINGTON, January 19, 1953.

Subject: Sixth Progress Report on NSC 104/2[2] "United States Policies and Programs in the Economic Field which May Affect the War Potential of the Soviet Bloc"

NSC 104/2 was approved as Governmental policy on April 12, 1951. It is requested that this report (covering the period from July 1 to November 1, 1952) be circulated to the members of the Council for their information.

Battle Act

Title I Activities

During the period under review one formal determination to continue aid despite shipment of an embargo item was made under the Battle Act. In July the President announced that aid would be continued to Denmark despite the fact that the Danes had knowingly permitted the shipment of a Title I, Category B tanker to the USSR. The exception was granted after consultation with all interested agencies and after Ambassador Draper, General Ridgway, and Ambassador Anderson all pointed out in strongest terms the very serious effects that termination of aid in this case might have on NATO and the Northern European Defense Program.

No other exceptions were formally granted during the period under review; however, the Economic Defense Advisory Committee (EDAC), in addition to the recommendation on prior commitments described below, has recommended that an exception be granted to Austria for the shipment of some $180,000 worth of bearings to Poland, but not for the shipment of $172,000 worth of additional bearings. . . . Efforts are also under way to put the Norwegian aluminum exception cases into final form—both the aluminum under the current trade agreements with the USSR and Poland in the total amount of 2,750 tons, and 500 tons of aluminum covered by a prior commitment to Czechoslovakia.

Prior Commitments.

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[1] The progress report was transmitted to Lay under a covering memorandum by Secretary Acheson and Harriman, dated Jan. 19, not printed. Also attached to the source text, but not printed, were two appendixes, the first summarizing the replies from the COCOM countries on the prior commitments issue, the second designating the fields of economic intelligence currently being explored by various intelligence agencies. For a discussion of the contents of this progress report, see the NSC memorandum of discussion, Mar. 18, 1953, p. 939.

[2] For text of NSC 104/2, see *Foreign Relations*, 1951, vol. I, p. 1059.

As a result of top-level bilateral approaches, as well as the June 24-25 Consultative Group Meeting, replies were received from other participating countries on the prior commitments issue. The net effect of these replies is outlined in some detail in Appendix I to this report. In general the responses were to the effect that portions of these countries' total prior commitments would be eliminated. Taking into consideration the intensive and drawn-out efforts which have been made to eliminate or at least reduce the prior commitments, it was generally conceded that these responses from the various governments represented the maximum support we could get for our position. The EDAC therefore recommended that the Administrator advise the President to continue aid to the United Kingdom, France and Italy although these countries had knowingly permitted shipments of Title I, Category B prior commitments in the amount of approximately 2.5 million dollars since January 24, 1952. The EDAC made substantially the same recommendation with respect to approximately 7.4 million dollars worth of prior commitments which these countries had indicated they were absolutely unable to cancel; this latter recommendation, however, was to be reviewed, if necessary, in the light of circumstances at the time of actual shipment. The EDAC recommendation did not cover commitments for future delivery of the second $3,000,000 Danish tanker to the USSR nor certain of the Federal Republic's commitments, these items still being under active negotiation.

The Administrator, having reviewed the EDAC recommendation, felt, however, that he would not be warranted in recommending to the President at this time an exception for any goods which had not already been shipped. He therefore determined to advise the President that assistance not be discontinued to the United Kingdom, France and Italy despite the shipment to the Soviet bloc by these countries of an aggregate amount of 2.5 million dollars worth of Title I, Category B goods; but he recommended that no exception be granted at this time with respect to the probable future shipments covered by prior commitments. As stated above, these are anticipated to amount to 7.4 million dollars, excluding items still being negotiated. This means that the basic issue of the prior commitments still remains to be dealt with in the light of the situation to be encountered in 1953. It is generally agreed, as indicated by the EDAC recommendation, that the best solution would be to dispose of the issue once and for all in a package exception as soon as it is feasible to do so. Further negotiations on this subject can only weaken our position generally in COCOM negotiations and prevent us from pressing other important matters.

Title II Activities

Title II of the Battle Act is the area in which it is expected that the major part of future work under the Act will be done. In order to implement this Title, the Battle Act Administrator requested a survey of all items on the United States security lists in order to determine which items are problem commodities and therefore should be discussed with friendly countries in an attempt to obtain agreement to restrict shipments of such items to the Soviet bloc. (See fifth progress report[3] for further background). In the months since July 1, more than 20 technical task groups centered in the Office of International Trade of the Department of Commerce have made an extensive study of a large portion of the United States security lists in order to make the necessary determinations. Since COCOM discussions were originally scheduled to be held in October to establish 1953 quotas for International List II items, the technical task groups gave priority to surveying the 96 items on this list. The task groups completed their preliminary assignments in mid-October, and, since that time their recommendations have been under review on a more formal interagency basis.

The discussions in COCOM will be conducted on the basis of one or more of the following possibilities:

(a) change in definitions;
(b) change in strategic ratings—i.e., complete or partial up-grading to List I, down-grading to List III, or removal from the Lists:
(c) change in global quotas;
(d) change in national quotas; and
(e) change in type of List II control—from 3D (*quid pro quo*) to 3A (*quota*) or vice versa.

The United States has already indicated that it wishes to have 39 items reviewed in the course of the discussions, which were to begin November 12. This leaves 57 items respecting which the United States does not at present believe that COCOM review would result in a further tightening of quantitative controls. On all items for which the U.S. had not requested changes by November 12, we are willing to accept 1952 quotas for 1953, with the understanding that any participating country is able to propose changes on the basis of new justifications. Our requests for reconsideration of certain items are directed at revising 1952 quotas *downward*.

It is anticipated that the COCOM discussions will be lengthy and controversial, since most of the requests from other countries are directed at changing quotas upward or re-allocating country quotas. Germany, for example, has requested an increase in its national quotas for approximately 35 items, largely on the basis of increased production in Germany.

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[3] Dated Sept. 22, 1952, p. 876.

The German request brings out sharply the difference between the U.S. and Western European approaches to questions of export control policy. On the one hand, the United States has continuously proposed tighter controls (e.g., the United States will endeavor to have about 20 List II items raised to embargo status during the course of the COCOM discussions). On the other hand, the Western European countries have repeatedly asserted that while they concur in embargoing certain selected items to the Soviet bloc, items for general industrial uses, even though of strategic importance, should be permitted to be exported to the bloc in limited amounts. This view, based in part on the necessity to obtain certain essential commodities from Eastern European countries, is highlighted by the fact that increased quotas have been requested for a total of about 55 of the 96 International List II items by the Western European countries. In this latter connection it is interesting to note that by and large the 1952 quotas will probably not have been fully utilized.

The COCOM List II discussions should prove instructive by way of demonstrating how much further the United States can press successfully for tighter security trade controls. A careful review of these discussions upon their completion will be advisable in order to determine what possible new tactics and approaches the United States should adopt in future Title II (of the Battle Act) negotiations to achieve certain objectives without lessening the degree and extent of security controls already attained.

The general commodity problem of natural rubber, which is not involved in the International List II quota discussions, remains a serious one. Despite continued efforts, the United States has not been successful in achieving UK agreement to a further reduction of Sterling area rubber shipments to the Soviet Union below the limits previously established by the UK as defensible on strategic grounds, i.e., 80,000 tons a year, estimated as the civilian consumption requirements of the USSR. The rubber problem is further complicated by the action of the Government of Ceylon in October in purchasing 80,000 tons of rice from Communist China and ensuring the Chinese free use of the resulting funds for the purchase and export of rubber and/or other Ceylonese products. In addition a long term rice-rubber agreement with the Chinese has been approved "in principle" by the Ceylonese cabinet. A Ceylonese mission in Peking is attempting to negotiate a better rice price in the long term agreement. In the agreement as it now stands the Communist Chinese have agreed to sell 200,000 tons of rice to Ceylon and to purchase 50,000 tons of sheet rubber each year for five years beginning in 1953. China has agreed to pay a price in 1953 about 40 percent above the average Singapore f.o.b. price.

Throughout the negotiations leading to the conclusion of this contract, U. S. officials sought to convince Ceylon that a contract of this kind would threaten the independence of Ceylon and would impair the efforts of the Free World to resist Communist aggression. On more than one occasion it was pointed out to Ceylonese officials that the contract would lead to Ceylon's becoming increasingly dependent upon Communist China as a source of Ceylon's vital food supplies and an outlet for one of Ceylon's principal exports. The U.S. offered Ceylon alternative opportunities to sell rubber and to buy rice, but in strict financial terms these offers were not considered by Ceylon to be as attractive as the politically-inspired offer of Communist China.

Reactions to this development in other parts of Southern Asia and the Far East might be unfortunate from the standpoint of U.S. security interests. We have received a report to the effect that Indonesia has within recent weeks shipped 8,000 tons of rubber to the USSR. This is in addition to reports that Indonesia plans to send a trade mission to Communist China and possibly the Soviet Union.

Title III Activities

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Technical Advice and Assistance.

The Technical Advice and Assistance Working Group established under the EDAC has completed studies of the export controls and their enforcement in certain COCOM countries as well as in several non-COCOM countries. (See last progress report for further background.) The working group has decided that invitations should be extended to the COCOM countries before inviting non-COCOM countries. Accordingly, it has recommended that invitations be extended to Italy, France, Belgium, Luxembourg, the Netherlands, Norway, Denmark, and Portugal to send a group of technicians to the United States or to exchange technicians with us for the purpose of studying the export controls of each country to acquire a knowledge and understanding of each other's control policies, licensing procedures, enforcement techniques, and inspection methods. The UK Government already has accepted our proposed exchange and a British team was to visit the United States the last week in November. A similar invitation will probably be extended to Italy next.

The regular semi-annual discussions with the Canadians in the field of export controls were to take place in Washington on November 6 and 7. Among the items to be discussed were International List II matters, Japanese export controls, and informally, the question of transaction controls.

Japanese Participation in International Trade Controls

Meetings were held in Washington July 28 through August 2 with representatives of the United Kingdom, France, Canada, and Japan to consider proposals for establishing multilateral coordination on economic security problems in the Far East.[4] It was obvious at the outset that the United States proposal for a Far Eastern export control mechanism separate from COCOM was completely unacceptable to the other four powers. It was agreed, accordingly, that Japan should be invited immediately to join the CG and COCOM and that a permanent semi-autonomous China Committee would be set up within the CG–COCOM framework. The China Committee, would be responsible for the development of the detailed aspects of security export controls relating to Communist China under the policy guidance of the Consultative Group.

The five powers had no authority to discuss at the July 28–August 2 meetings the future level of Japanese controls in the multilateral framework, but secret bilateral conversations took place between the United States and Japan on this subject simultaneously with and after the five power discussions. These conversations ultimately resulted in a secret understanding between Japan and the United States which was initialled on September 5, subject to final approval by both governments. In accordance with this understanding, the Japanese have indicated a willingness to continue controls respecting Communist China which are more strict than those of all other COCOM countries except Canada and the United States. Japan has agreed to embargo to Communist China: (1) all items on any International Control List, (2) all items on the United States Security Lists, and (3) additional items to be mutually agreed on by the US and Japan. In the course of the bilateral talks the United States representatives submitted to the Japanese a list of 400 items as a tentative basis for negotiations on additional items to be embargoed under the third category.

The Japanese have indicated acceptance of about 280 of these 400 items for embargo. The United States Government has been conducting a technical review of the remaining 120 items. It is expected that we shall press for the retention of some of these in the embargo category, and that we shall accept the Japanese suggestions respecting their relaxation of controls on others. Under the terms of the bilateral agreement, Japan will exercise licensing controls over those items on the list which it is agreed need not be embargoed. For items agreed (for purposes of Japanese controls) to be of some strategic importance to Communist China, strict quantitative controls would be exercised and exports permitted only if examination of the individual transaction showed it to be advantageous to Japan.

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[4] For documentation on the meetings under reference, see volume XIV.

Throughout the August bilateral discussions with the Japanese they repeatedly emphasized their view that any bilateral agreement reached with the United States would be meaningful only in relation to the intent that both governments should seek comparable action in COCOM and that the bilateral agreement would be directly affected by such multilateral agreement as is reached. There is now some reason to believe that the Japanese are prepared to relax their insistence on this point.

The Consultative Group met in Paris on September 18 and 19 in order formally to welcome Japan to CG–COCOM membership, and drew up the directive to the Coordinating Committee to establish the permanent China Committee.

Controls Over Transit Trade and Transshipments

The transit trade and transshipments problem remains a significant loophole in the international security trade control effort. This problem has been highlighted by the estimate of our Embassy in Santiago that between 10,000 and 20,000 tons of Chilean manufactured and semi-manufactured copper found their way into the Soviet bloc in the year ended May 1, 1952.[5] The problem in the case of Chile has been primarily that of the Chilean Government's passivity in permitting diversions to take place in free ports of Europe, principally Antwerp and Rotterdam. It appears that certain high-placed Chilean Government officials were aware of this traffic and took no effective measures to control it. These officials are no longer connected with the Chilean Government.

Other reports have been received and confirmed of strategic materials finding their way into the Soviet bloc via transshipment points. Lead and copper from Yugoslavia and scrap iron and copper originating in the Middle East were reported to be some of the commodities involved, although the problem is by no means confined to the commodities mentioned above. The reports on diversions of strategic commodities originating in Yugoslavia have led to considerable concern over the effectiveness of that country's controls.

During the technical discussions on proposals for transshipments controls in COCOM held from September 9 to September 13, it was noted that there were still wide variations in the extent to which the ICDV system was used. It appeared that the unevenness in the uses of the scheme was still largely due to the fact that the French and Italian Governments were using it on a highly selective basis.

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[5] For documentation on this subject, see vol. IV, pp. 666 ff.

The French delegate agreed that his Government had been somewhat backward in the use of the scheme because of the inflexible administrative system in France. The Italian delegate stated that his Government had in recent months greatly intensified the use of the system. It was apparently agreed finally that not only import certificates but delivery verifications as well should automatically be required for all exports of items on the International Munitions List, International List I, and selected items on International List II, except where exporting Governments were completely satisfied as to the end use of the items in question. The extent to which this agreement has been implemented is yet to be ascertained.

The fifth progress report on NSC 104/2 outlined the Belgian proposal introduced in COCOM for transshipment licensing of a selected list of strategic non-ferrous metals. Action on the proposal has been deferred by further consideration by the United States and the United Kingdom of the Netherlands proposal for transaction controls. The Dutch have persistently argued that the transit country should not be expected to interfere with shipments which have been financed in another country and thereby directly or indirectly authorized for movement to the Bloc by that country. They state that such shipments should be controlled on security grounds at the financial source in order to reduce the possibility of diversions to the bloc occurring intransit. The Dutch have indicated that they could justify the institution of physical transshipment controls in the Netherlands only when adequate safeguards at the source have been agreed to by all participating countries. The Dutch have further contended that since the responsibility for the sale of strategic goods to the Soviet bloc is clearly that of the Government authorizing the transaction, the Government of the transit country or transshipment point should not accept the complications which would arise from interference with otherwise legal transactions. Further, the Dutch aver that the institution of transshipment controls would be in violation of several international agreements providing for the freedom of transit, including the Convention of Barcelona, the Treaty of Mannheim, and the GATT. Nevertheless, the Dutch stated that they would be prepared to attempt to find a legal basis and a technique for transshipment controls if the PC's would (1) institute and execute effective controls on the financial transactions between their residents and Soviet bloc countries involving strategic goods; (2) make a wider use of the ICDV system; and (3) institute transshipment controls over strategic goods within their own territories. Action on the Dutch proposals, which were considered preliminarily in COCOM and its sub-committee on Transit Trade in September 1952, has been postponed to give the Governments of the United States and the United Kingdom an opportunity to consider further the desirability of transactions controls.

The United States is now prepared to state in COCOM its willingness to institute a regulation prohibiting United States traders from engaging in controlled trade transactions with the Soviet bloc except pursuant to license. Banks, insurance companies, and carriers which participate in controlled trade transactions only in their normal capacity would be excluded. Attempts are now under way to get the British and Dutch to agree on some limited form of financial control so that progress can be made on the extremely important question of transshipment controls as soon as possible.

Shipping Controls

On July 25, the EDAC Cargo Transport Controls Working Group presented a series of shipping control recommendations to the Steering Group for negotiation in COCOM and bilaterally with other important maritime nations not represented in COCOM. The working group's report reflects the dissatisfaction within the United States Government concerning the level of existing COCOM shipping restrictions (see fourth and fifth Progress Reports). The report focuses attention on the value to the Soviet bloc of shipping services performed by the West, and recommends that COCOM countries (1) embargo the sale to Soviet bloc countries of all merchant vessels above 1,000 gross tons; (2) prohibit all repairs to Soviet bloc ships except emergency or voyage repairs; and (3) prohibit all chartering of vessels to the Soviet bloc.

The Department of State was unable to endorse the working group report, and requested the Steering Group of the EDAC to reexamine the proposals in the light of comments and objections concerning (1) the criteria used by the working group, (2) the indicated judgment as to the vulnerability of the Soviet bloc to shipping restrictions, (3) the economic impact of the proposed restrictions on Western European countries, and (4) negotiability of the proposals. Consideration of this problem is still pending in the Steering Group.

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Additional United Nations Sanctions Against Communist China

In the period under review continuing exhaustive consideration has been given the problem of the advisability and timeliness of the United States pressing for additional economic sanctions against Communist China in Seventh Session of the United Nations General Assembly. The critical point at issue in these deliberations had been the judgment of what degree of success or failure might be expected to result from such action by the United States.

On August 14, 1952 copies of a "working paper" were handed to the Washington representatives of the United Kingdom, France, Canada, Australia, New Zealand, and South Africa, on a secret basis, proposing that the Additional Measures Committee recommend to the General Assembly at its Seventh Session that the latter formally call for a total embargo against Communist China and North Korea in the event of continued inconclusive armistice negotiations and if an appeal by the General Assembly to the Communists to conclude an armistice should fail. The US further proposed that the suggested UN total embargo be supported by certain shipping, transit trade, insurance and assets controls.

The response of these six countries was strongly negative. The chief objections raised by them were: (1) a total embargo would be ineffective in producing an armistice, our primary objective; (2) it might be provocative, substituting "a new drift towards the worst" for the "present relative stabilization"; (3) since it would be futile without a naval blockade, it might ultimately entail recourse to one; (4) it would split the majority upholding the UN action, fail to gain Arab-Asian support, and heighten neutralist sentiment in the UN General Assembly; (5) it would mean the ruin of Hong Kong, whose position is of great importance to the Free World. These replies were made between August 22 and September 8, 1952.

A detailed re-examination of all aspects of the question was undertaken in the light of these responses to determine what steps should be taken to persuade the British and others to support further economic measures by the General Assembly if it should fail to obtain Communist agreement to an armistice.

Of interest in this connection (and even more directly related to the subject of China controls in COCOM) is a recent State Department intelligence estimate (Intelligence Report No. 6051 of October 27, 1952[6]) of the capacity of the Trans-Siberian Railway available for traffic to China. It appears that all United States intelligence agencies, . . . are prepared to accept a substantially higher estimate of this capacity than previously, i.e., 5.1 million long tons per year versus 2 million. In addition, Intelligence Report 6051 makes the following observations. Apart from its great importance for assessing the USSR's war potential, Trans-Siberian capacity has a distinct bearing on the effectiveness of any new restrictions on Western shipping services to the Soviet bloc. As regards military items moving to China from the USSR they are probably carried for the most part overland via the Trans-Siberian Railway. Insofar as China imports non-military and other non-strategic goods by sea, the explanation would appear to be the conventional cheapness of this form of transport rather than the lack of adequate land transport links with the European Soviet bloc.

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[6] Not found in Department of State files.

Decreasing Reliance on Trade With the Soviet Bloc

The Decreasing Reliance Working Group continues to study the problems and possibilities of (1) developing alternative sources of the principal imports from the Soviet bloc; (2) developing alternative markets for commodities now sold in the bloc and (3) systematically coordinating Western European countries' trade negotiations with the bloc countries. MSA, Commerce and State, respectively, are in the process of completing papers suggesting specific action programs on these three fronts. (Preliminary MSA papers containing action recommendations on alternative sources have already been reviewed by the working group. Commodity specialists on coal, grains, timber and high-protein feeds have already been assigned to develop these recommendations further in the light of various existing internal and international economic programs.)

At this stage in the effort to develop decreasing reliance action programs, it may be useful to outline certain facts and considerations that will shape the action programs as presently envisaged, and will determine the nature and intensity of future United States efforts to lessen the strategic risk inherent in the Free World's economic dependence on the Soviet bloc.

First, the economic problems involved in a program of decreasing reliance are extremely complex. In present circumstances, the dependence of Western Europe upon imports of basic supplies from the Soviet bloc probably cannot be eliminated entirely. This statement is elaborated below. Individual cases can, however, be helped, and the United States will continue to provide appropriate support (as in the Danish-Polish case early in 1952) to strengthen Western European countries' bargaining positions as against the Soviet bloc.

Second, and this tends to be overlooked in some European quarters, the forced expansion of heavy industry in the Soviet bloc involves a shift of emphasis from agriculture to industry, and from production of goods of the kind wanted in the West (and Japan) to those useful in the Soviet drive towards industrialization and self-sufficiency. This shift of emphasis, affecting labor as well as other resources, has the effect of greatly diminishing or eliminating such surpluses of primary materials as the individual nations of the Free World were accustomed to import from what is now the Soviet bloc. It is therefore incorrect to assume or hope for anything like the pre-war flow of food, feed, fuel and timber from the USSR and the now Sovietized countries of Eastern Europe and Communist China. Nor is it correct to assume that marketing possibilities for consumer goods in these areas will even distantly approach pre-war levels.

Finally, the persistence of an extremely complex dollar deficit problem must be faced. One of the most important single aspects of this problem is the greatly increased dependence, as compared with the pre-war period, of the rest of the Free World upon the United States as a source of supply. The two major explanations for this increased dependence are the expanded world demand for imported goods and the failure of sources of essential goods other than the United States and Canada to expand output proportionately with demand. This confronts us with a dilemma, which can be illustrated by considering two commodities—grain and coal.

In pre-war years world exports of grains, exclusive of rice, totaled 32 million tons on average, with the United States and Canada accounting for 7 million tons of this total. In fiscal year 1952 world exports of grains were an estimated 40 million tons, with the United States and Canada accounting for 25 million tons. The 18 million ton increase in North American grain exports has been required to meet increased needs of 8 million tons and to make up the decline of 10 million tons previously coming from other sources. Western Europe, the world's chief importer of grains, also the area most affected by the dollar gap problem, now relies on the Soviet bloc (which has been supplying about one million tons annually) for only about 2 percent of its consumption of *bread* grains and on the Free World for 25 percent of its consumption. The corresponding figures for *coarse* grains are a 3 percent dependence on the Soviet bloc (which has been supplying about one million tons annually) and a 15 percent dependence on the Free World. (These broad percentages obscure the much greater reliance of certain countries, e.g., Norway and the UK, on Soviet grain supplies.) In present circumstances it would seem that any increased Free World availabilities of grain in non-dollar areas should supplant imports from the United States and Canada rather than imports from the Soviet bloc.

In the case of coal, in 1951 the Soviet bloc supplied barely more than one percent of the total consumption of Western Europe, but a considerably greater percentage of the coal supplies of Sweden, Norway, Denmark, Austria and Italy. In fiscal year 1953 total Western European imports from the Soviet bloc are expected to amount to some 10 million tons, and imports from the United States to about 16 million tons. Austria, Denmark, and Sweden absorb almost three-fourths of the total supplied to the West by the East.

Imports of Eastern coal are very unlikely to be eliminated as long as large purchases in the U.S. are required in order to meet

Western Europe's growing needs. Additional factors relate to the adjustments that would be required in switching to other sources. Other reasons involve the matter of marketing outlets in the Soviet bloc. The broad problem with respect to coal is to gain acceptance of the principle that Polish coal should have as little place in Western Europe as U.S. coal. Even as a principle, it would be extremely difficult at present, if not impossible, to gain Western European acceptance of this view.

There has recently been assigned to the Decreasing Reliance Working Group (see ED/SG OM-13/2, October 15, 1952[7]) the task of preparing a program of possible United States actions to counteract the security implications of Finland's expanded trade with the Soviet Union and to mitigate the strategic risk of Finland's increased economic dependence on the bloc in general. For several reasons the Finnish problem is one of the most difficult cases in point in the decreasing reliance field. After considerable discussion and study, the working group has determined that the only action now under way that is likely to bring results in the near future is the possible purchase of Finnish cobalt. This purchase, if consummated, would serve the dual objective of increasing the U.S. cobalt stockpile, while precluding the possibility of Finnish cobalt moving to the Soviet bloc.

United States Economic Defense and Trade Policy

A special working group has been given the task of conducting a full-scale, objective analysis of the legislative situation in relation to operations undertaken or planned in the EDAC framework. This review must take account of certain important factors, such as (1) the forthcoming report to the House Foreign Affairs Committee of Congressman Battle after his contact with elements of the program; (2) the expectation that the statistical picture, however misleading it might be, of control of primary strategic items may indicate a relatively large increase of shipments to the Soviet bloc over 1951; (3) the likelihood that we shall continue to be faced with the secrecy restrictions concerning the scope and operations of the COCOM security trade control effort; and (4) the existence of dissatisfaction in various quarters of the United States Government with what is considered to be a lack of real progress towards wholly satisfactory solutions of the problems surrounding transit trade controls, shipping controls, decreasing reliance, shipments of natural rubber to the European Soviet bloc, prior commitments, etc.

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[7] Not found in Department of State files.

A related activity now being carried forward is the study of the Public Advisory Board (for Mutual Security) of the foreign trade policies of the United States, particularly as they affect United States efforts in the Mutual Security Program. This investigation was requested by the President on July 13, 1952 because of the possibility that recent developments affecting United States trade policy work at cross purposes with basic objectives of the Mutual Security Program. It is expected that the recommendations from this investigation will be available sometime after January 1, 1953.

Another related and equally difficult aspect of United States policy in the economic defense field is the matter of our official attitude towards friendly countries' maintaining and promoting non-strategic trade with the Soviet bloc.

There have been recurring indications in recent months of the desire of Western European Governments to expand non-strategic trade with the Soviet bloc. Two important instances were the German Bundestag resolution of May 6, 1952 calling for an expansion of East-West trade to the greatest extent possible and a statement of Ambassador Franks at about the same time to the Secretary of State on the subject of East-West trade.[8]

Occurrences of this kind present the United States with the issue of whether we should reaffirm in a positive manner our previously expressed position that we favor, or at least will not discourage, the expansion of non-strategic trade with the European Soviet bloc; and that U.S. efforts to control strategic items should in no way be construed as reflecting a policy trend towards total termination of the trade.

We are not concerned with non-strategic trade itself. We are concerned, however, that increased reliance by Western European countries on Soviet bloc markets may place them in a position in which they could not easily resist Soviet demands for strategic goods or Soviet demands for political concessions. Accordingly, any statement which the U.S. makes on non-strategic trade will necessarily have to be guarded; it will have to try to avoid the propaganda pitfall of arguing against peaceful trade, while at the same time pointing out the strategic risks which accompany expanded trade of that sort with the Soviet bloc.

The COCOM Secrecy Issue

In August, a number of newspapers abroad carried an AP despatch "revealing" the existence of COCOM. This despatch was the culmination of a number of references, some authorized by COCOM, and others information leaks, to the existence, name and objectives of the Paris Coordinating Committee. These developments served to bring to a head the problem of more widely publicizing the COCOM activities. The Italians and the Germans, as well as the United States, have for some time favored more publicity concerning COCOM.

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[8] For the substance of the statement under reference here, see the memorandum of conversation by Assistant Secretary Linder, June 12, 1952, p. 851.

The problem was discussed inconclusively at the September 18–19 meeting of the Consultative Group. Discussions at this meeting made it clear that most countries are now far more sympathetic than before to the need for releasing more information about COCOM. The French, however, took a firm stand against modifying the present agreements on COCOM secrecy.

On October 17, the French Ambassador to the United States was handed an *aide-mémoire* requesting that the French re-examine their position.[9] Depending on the reaction to the *aide-mémoire,* the issue may require discussions between the Secretary of State and the French Foreign Minister. Meanwhile a COCOM subcommittee on secrecy is analyzing what has already been made public in official statements on East-West trade controls.

The secrecy problem was further highlighted by the issuance of the first semi-annual report to Congress on the operations of the Battle Act, and also by the six-week tour in Europe during August and September of Congressman Battle to observe the operations of the legislation he sponsored.

The six-month report of the Battle Act Administrator was submitted to COCOM in draft form for comment. Several suggestions were made by other participating countries, and some of these suggestions adopted. There was no great difficulty in this connection, and the report, when issued, was received favorably for the most part in Western Europe.

In his visit to COCOM countries, Congressman Battle stressed, among other things, the need for greater Congressional and public information and awareness of the actions taken and progress made by Western Europe in the field of trade controls. The general reaction on the part of Western Europeans was a greater appreciation of the United States concern for easing the secrecy limitations. In general, it is felt that Mr. Battle made a good impression on foreign officials with whom he conversed, and his visit appears to have been worthwhile.

International Watch List (Formerly International Black List)

At the Consultative Group meeting of June 24–25, it was decided that the International Black List, previously agreed to in COCOM, should be replaced by an International Watch List. COCOM was instructed to work out a procedure through which the list would be established on the basis of the new terms of reference agreed in the CG (see fifth progress report).

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[9] Regarding the *aide-mémoire* under reference here, see the memorandum of conversation by Camp, Oct. 24, 1952, p. 900.

In recent COCOM discussions of the International Watch List it has been revealed that there is still disagreement in principle as to the desirability of establishing any secret list which might form a basis for denial of export licenses to domestic or foreign firms. France, Germany, and Italy have expressed reluctance to propose any names for the list, and in effect have listed the same objections to the Watch List as were previously directed to the Black List. This despite the fact that the present concept of the Watch List is designed to meet the difficulties inherent in the Black List. In effect the French have withdrawn their earlier agreement in the CG on the principle of establishing the Watch List. Other participating countries continue to support the Watch List, although they question its usefulness if some countries will be unable to submit names for inclusion on it.

The French have countered with an alternative proposal that participating countries exchange information on National Watch List, and apply more stringent use of the Import Certificate and Delivery Verification system to listed individuals. The Germans also have advanced a similarly vague proposal regarding exchange of information on National Watch List.

The entire matter is in abeyance pending final confirmation of the positions of the three objecting countries. If the French persist in their refusal to accept the Watch List proposal it is likely that the question will be referred again to the Consultative Group.

Research and Intelligence Backstopping for Economic Defense Activities

At this juncture it should be useful to review the research and intelligence work that has been done not only in the period covered in this report but during the entire past year as well. As stated in the fourth progress report on NSC 104/2 dated April 23, 1952, three major areas of Soviet bloc foreign economic relations (trade, finance, and shipping) require continuing research in connection with the development and support of the United States economic defense effort. An additional important area of study is the capabilities and vulnerabilities of the Soviet bloc and the Free World under present and prospective circumstances. It is beyond the scope of this report to comment upon all the research work which is being done in the various intelligence agencies and which contributes to operations in the economic defense field. However, the work being done and the progress being made are summarized in

Appendix II together with the outstanding needs and deficiencies as they exist as of the date of this report.

Implementation of NSC 91/1 [10]

The Fifth Progress Report on NSC 104/2 outlined the provisions of Department of Commerce Program Determination No. 810, issued on June 16, 1952.

During the period in which Program Determination 810 has been in effect, the major emphasis has continued to be placed on obtaining assurances on U.S. List I and List IA items, mainly, with respect to the COCOM countries. . . . This focus has been maintained because of the embargo status of the items, and for the reason that the countries cited are the leading industrial nations of the world and are affected in the greatest degree by United States security export policy governing strategic commodities. Under PD 810 and the licensing directives which preceded it, the United States has been successful either in obtaining embargo commitments from friendly foreign countries, or in making reasonable findings of *de facto* embargo control, in roughly 90 percent of the cases in which we have sought assurances on List I and List IA items.

With respect to List II and IIB items, the implementation of Program Determination 810 will depend upon the determinations (as to safe quantities which can be permitted to flow to the Soviet bloc) to be made on the basis of the current work of the OIT technical task groups. (See *Title II Activities*) Until the task groups complete their detailed analyses, no across-the-board action can be taken to seek assurances on U.S. List II and IIB items from friendly countries. This delay applies also to certain capital equipment and production materials for which the United States will seek appropriate levels of control depending upon the relationship of such equipment and production materials to items on the United States security lists. Problem cases, however, are being treated selectively as they arise.

Organizational Arrangements Within U.S. Government

Considerable attention has been given in the EDAC Steering Group to the reorganization of the EDAC working group structure. This has been for the purpose of consolidating the numerous existing groups into fewer groups with wider frames of reference, so that as many as possible of the problems that arise can be channeled into existing working groups. The proposed reorganization is also designed to correct deficiencies which have become apparent in the last six months. The structure has become complex and has involved the creation of perhaps too many formal groups. This development has unduly burdened the limited economic defense staffs of the several participating agencies.

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[10] For text of NSC 91/1, see *Foreign Relations*, 1950, vol. IV, p. 227.

The Steering Group has tentatively come up with a proposed structure consisting of the present Advisory Committee, and Executive Committee corresponding to the existing Steering Group, and six reconstituted working groups. The six working groups are Export Control Programs, Application and Enforcement, Cargo Transport Controls, Transit Trade, Economic Defense Programs and Policy, and Decreasing Reliance. By way of illustration, the working group on Export Control Programs would in general advise the Steering Group on policy and procedures for Title I—Category B, Title II and International List III controls; extension of controls to non-COCOM countries; developing and recommending general policies and criteria to be followed in developing U.S. positions on controlled items; etc. The working group on Application and Enforcement would advise and assist on such matters as the termination and resumption of aid, technical advice and assistance, the Administrative Action Program, preclusive buying, etc.

Organizational arrangements in the field are similarly undergoing changes designed to bring to bear on particular problems all the best information and judgment available at the posts.

Effective November 1, the U.S. delegation to COCOM was transferred from Embassy Paris to the office of the Special Representative in Europe (SRE). The staff of the delegation has been increased to fourteen individuals from an inadequate staff of seven. This was accomplished through the strong recommendations of Ambassador Draper and EDAC agencies. A special assistant to the Deputy for Political Affairs in SRE has been designated resident U.S. delegate to the Consultative Group. The present U.S. delegate to COCOM will continue in that capacity under the new arrangement.

The transfer to SRE of responsibility for CG–COCOM affairs is logical in view of their multilateral nature, as distinguished from the responsibilities of Embassy Paris for the bilateral relations between the U.S. and France. It is logical also that the representative in Europe of the Director of Mutual Security should assume a role in the international security export control program commensurate with the latter's direct responsibilities under the Battle Act.

Other Developments

Many other developments worth mentioning in this progress report took place during the period under review. As in the case of all of the major subjects treated topically above, the background of these developments, together with the record of policy decisions taken and their implementation, are contained in the documentation of the EDAC organization's activities and in correspondence among U.S. Government agencies in Washington and with the field and with other Governments. The following developments are mentioned for the purpose of calling attention to them as relatively significant occurrences in the broad field of economic defense.

The Administrative Action Program of the United States against East-West trade control violators which has operated notably in Western Germany is being studied and plans being made to extend the program to other areas and to lines of activity that may be undertaken by operating agencies.

A recent report from the Consulate General in Hong Kong assessing the effects of export controls upon Communist China suggests that there are growing pressures on the Chinese resulting from these controls. According to the report there appears to be a definite shortage on the mainland of industrial raw materials, capital goods, and replacement parts. Smuggling, however, results in an estimated 5,000 tons of goods from Hong Kong finding their way into Macau and the mainland each month. Meanwhile, COCOM has accepted codification of the China Embargo List, comprising the Munitions List, International Lists I, II, and III and about 12 supplementary items.

In a letter to the Director for Mutual Security,[11] Congressman Battle, following his recent European inspection tour, has made the general point that he is not satisfied with what he found on his trip. He has expressed the view that the Executive Branch gives a lower priority than he thinks desirable to the controls of exports to the Soviet bloc as a device for gaining an advantage over the Soviets in the present world conflict.

Certain interesting points are noted in recent trade agreement negotiations between Western countries and countries of the Soviet bloc. These points may be significant as an indication of the type of Soviet tactics to be expected in the Kremlin's efforts to disrupt the cooperative relationships between Western countries and also as an indication of pressing commodity needs in the Soviet bloc. In recent French-Czechoslovak trade agreement negotiations the initial Czechoslovak shopping list was composed almost exclusively of strategic items. It is the feeling of the French Government that this maneuver might be the beginning of a political move to break the solidarity of Western export control efforts, since the Soviet bloc is well aware that it cannot obtain most of the items requested of the French, and since most of these items have not normally been exported from France to Czechoslovakia. Recently concluded trade agreements of Poland with Greece and Brazil provide for the import into Poland of 50,000 tons of high-grade iron ore from

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[11] Dated Sept. 29, 1952, p. 896.

Greece and 100,000 tons from Brazil. In the case of Greece, an important consideration leading to the conclusion of the trade agreement is the willingness of Poland to take some 850,000 dollars worth of tobacco. In the Brazilian case, Polish coal appeared to be the loss-leader making the overall deal attractive to the Brazilians. (Subsequent to the cut-off date of this report (November 1) we have received assurances that the Brazilian company which contracted to deliver the iron ore will make no shipments to Poland.)

398.2395/2-1053

Paper Prepared by the Deputy Director of the Office of International Materials Policy (Armstrong)[1]

CONFIDENTIAL [WASHINGTON,] February 10, 1953.

SUMMARY OF ACTIVITIES OF UNITED STATES DELEGATION AT RUBBER WORKING PARTY MEETING, JANUARY 5-27, 1953, IN LONDON[2]

Summary:

The main activity of the meeting was to consider a draft proposal for an internationally financed and controlled buffer stock of rubber which was presented by the British Colonial Delegation and supported by other producer groups.

The United States Delegation was guided throughout the discussions by two fundamental criteria, which were carefully explained to the group as a whole on a number of occasions. These two criteria were:

1. Objective judgment on practicability of the proposal.
2. Judgment of the Delegation as to items which should be included and amendments which should be made if the proposal were to receive serious consideration by the United States Government.

The proposal as originally advanced was very unsatisfactory, in the opinion of the Delegation, because it did not afford adequate protection to members, to producers, or to consumers, did not limit and define the obligations of member governments, and did allow for an unconscionable amount of maneuvering and speculation in the market. We spent a great deal of time and effort in amending the proposed agreement. In many respects we were completely successful, in others we proposed alternative drafts of provisions, and in others we reserved our position. The Delegation made it clear on numerous occasions that it could not and would not express an opinion as to the acceptability of the draft agreement (or any rubber agreement) to the United States. The Chairman noted specifically that active participation in the Working Party did not constitute any sort of commitment on the part of any member government of the Study Group.

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[1] Drafted by George H. Alexander of the Agriculture Products Staff. Willis C. Armstrong served as U.S. Delegate to the International Rubber Study Group; Alexander was Alternate Delegate.

[2] For information on the origin of this meeting of the Working Party of the Rubber Study Group, see the editorial note, p. 847.

The draft agreement which emerged from the meeting probably would be a practicable device, if certain disagreed provisions were settled satisfactorily. The agreement would have to be reviewed with care by experts to make sure that its provisions were technically sound from the legal and financial standpoint.

The outstanding features of the proposal as it now stands are as follows:

1. Provisions ensuring that the agreement would not come into force unless countries representing 75 percent of both imports and exports subscribed.
2. A weighted voting system which would enable the four countries with major interests in rubber (United States, Indonesia, British Colonies, and United Kingdom) each to have a veto, because no important changes could be made in the agreement without two-thirds vote of exporters and importers, voting separately.
3. Provisions to ensure the impartiality of employees of the buffer stock organization.
4. Fixed floor and ceiling which could not be altered to the disadvantage of consumers without a two-thirds vote of exporters and of importers, voting separately. Floor and ceiling prices would be linked to the price of general purpose rubber, so that a competitive position would be maintained if the United States price of synthetic were changed.
5. Provisions for correcting errors of original judgment which led the buffer stock to accumulate disproportionately large amounts of any particular grade.
6. No sales or purchases of rubber between the floor and the ceiling, except for rotation purposes.
7. No purchases from or sales to non-participating countries.
8. Storage of buffer stock rubber in consuming countries in proportion to their investment, with grades corresponding as closely as possible to consumption pattern in each country.
9. No restriction on the production or export of any kind of rubber.
10. A commitment by natural rubber producing countries to encourage the expansion of production to meet the prospective long-term shortage.
11. Provision for automatic liquidation of stock in the event the agreement is terminated, or if countries cannot agree on renewal or termination.
12. A security exception comparable to that contained in GATT.

The Working Party also did a statistical study, forecasting the supply-demand pattern for the period through 1958. This forecast is made on the basis of three assumptions regarding the percentage of synthetic to be used in the United States. If the present division of consumption (38 percent natural rubber and 62 percent synthetic) continues, there may be a substantial surplus during 1953–56, followed by a shortage in 1957–58. If our synthetic consumption is decreased to about 50 percent of total consumption, there really is no great surplus in sight.

Details of Negotiation:

The meeting made no effort to name floor or ceiling prices, nor to make judgment as to the potential size of the buffer stock. Financial contributions would be in accordance with the share of respective countries in the rubber trade, and voting rights would correspond to the size of financial burdens. Producing countries would contribute on an approximately even basis with consuming countries. The stock would operate in sterling which would be freely convertible. If the stock were to be large enough to cover 400,000 tons, and if the floor price were 21¢ a pound for RSS No. 3, the United States contribution would be in the neighborhood of $50,000,000. If the market judgment that there is likely to be a shortage after three or four years should be correct, the buffer stock should make money.

The producer delegations asked for safeguards against the disposal of non-commercial stocks except at the ceiling price. We felt we could not go along with this, but suggested some language taken out of the United States stockpile legislation as a comparable safeguard. A second safeguard which the producers wished was assurance that there be no discrimination against natural rubber. Our version of this safeguard would provide for no discrimination between natural, synthetic, and reclaimed rubber, except for measures within the scope of GATT or permitted by GATT. A third suggestion made by the producers was that no country should require the use of synthetic to an extent greater than 20 percent. We said this was unnecessary and unrealistic, because the only time we would be requiring a specified percentage of synthetic would be when there was an emergency situation, which would make it possible under the security clause.

The British Colonial Delegation was most unhelpful in its attitude toward us. The United Kingdom Delegation was not much help to us, but the French, Italians, Canadians, Germans, Australians, and Dutch were friendly and helpful as far as our efforts were concerned. The French Delegation made a number of excellent suggestions. The Indonesians were pleasant and non-committal.

I have given a general outline of the foregoing to the geographic bureaus primarily concerned (PSA, BNA, and SOA). I have also told Mr. Viles of the RMA and Mr. Young of the RTA the substance of the foregoing. I have further said that we would call an Industry Panel meeting in the first week of March to discuss the matter, and that I would be making no formal recommendations before that time.

The Future:

My detailed recommendations concerning the policy which the Department should follow during interdepartmental discussion of the position to be taken by the United States at the May 11 meeting in Copenhagen[3] will have to wait until my return from Caracas. For your preliminary consideration, however, I have attempted to set down the pros and cons of a buffer stock agreement for rubber as follows:

Pro

1. An agreement is practicable from a technical standpoint.
2. An agreement would not hurt the United States rubber industry and trade and might help them by providing a foundation for expanded production in the future.
3. An agreement would not necessarily lose money for the Government, and might make a profit.
4. An agreement might conceivably be used as a means of persuading rubber producing countries not to ship to China and to limit shipments to Russia.
5. An agreement would accumulate additional stocks of rubber in friendly consuming countries, which could be very useful in the event of war. Our own security stockpile is not intended to be a source of natural rubber for our allies.
6. An agreement would be very helpful indeed, both psychologically and economically, to natural rubber producing countries.
7. The United States support of an agreement would do much to help the United States politically in Asia, and United States rejection would do us great harm.

Con

1. Despite point 2 under "Pro", the rubber industry and trade will wage a heavy and a violent battle against approval of any agreement.
2. There is no basis for asserting that the United States rubber industry requires a buffer stock. It does not bear the burden of a surplus, and it can solve a shortage through constructing synthetic plants.

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[3] Regarding the meeting of the International Rubber Study Group at Copenhagen, see the memorandum by Deputy Director Armstrong to Alexander, Apr. 13, 1953, p. 947.

3. The same objectives as would be served by an agreement might be accomplished by buying more natural rubber, reducing synthetic production, selling the petroleum plants and putting the alcohol plants in standby, or by some combination of these devices.

4. There is no clear proof that an agreement is necessary to protect producers, because prices are now quite good and long-term prospects are reasonably satisfactory.

5. No agreement could be made without Congressional approval and Congress would not approve.

6. Approval by the Administration and disapproval by Congress might be more harmful to American interests in Asia than a rejection of the agreement at Copenhagen. Rejection does not have to be stated flatly, but could be in terms of "now is not the time". (The opposite point of view has been expressed.)

460.509/2-1653

Memorandum by the Assistant Secretary of State for Economic Affairs (Linder) to the Assistant Secretary of State for European Affairs (Merchant)[1]

CONFIDENTIAL [WASHINGTON,] February 16, 1953.

Subject: Departmental Policy on Non-Strategic Trade with the Soviet Bloc

From time to time in recent months, the question has arisen whether the United States should take action to prevent the consummation of the sale by another friendly country to the Soviet bloc of such products as high-grade iron ore, zinc, and cotton. Because these problems can originate in any geographical area and because it is desirable that a consistent course should be followed in their handling, it seemed to me that it might be useful to review in this circular memorandum the relevant policies involved.

1. The general approach to East-West trade.

Our general approach in the control of East-West trade, as laid down in appropriate NSC directives, is to develop a system of selective controls on the export of strategic items to the Soviet bloc. For a variety of reasons, we are not seeking a total embargo on East-West trade. We do not seek to curtail non-strategic trade, nor do we seek to prevent the consummation of transactions involving certain kinds of strategic goods, where the net advantage in the transaction lies with the West. Some of the reasons for our policies are psychological, some economic; in any event, the present policy is clearly confined to the selective approach of preventing or restricting the movement of strategic commodities. This leads to a number of questions.

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[1] This memorandum, drafted by Raymond Vernon of the Office of Economic Defense and Trade Policy, was also sent to Thomas C. Mann, the Deputy Assistant Secretary of State for Inter-American Affairs; John M. Allison, the Assistant Secretary of State for Far Eastern Affairs; Henry A. Byroade, the Assistant Secretary of State for Near Eastern, South Asian, and African Affairs; and James W. Riddleberger, the Director of the Bureau of German Affairs.

2. Is the proposed export "strategic" or "non-strategic"?

Under the Battle Act, the Executive Branch is charged with the responsibility of developing with other friendly countries cooperative programs to control the trade of strategic goods with the Soviet bloc. The first problem, therefore, is to define the word "strategic" in this context. For this purpose, certain lists have been prepared. The first are lists of commodities of primary strategic importance, which have been prepared in connection with the administration of Title I of the Battle Act (Title I Lists, Categories A and B). In all circumstances, we seek to prevent the shipment of goods on these lists to the Soviet bloc.

The next gradation of strategic goods is the category of so-called "secondary strategic items". This category is covered by the United States Security Lists IA, II and IIB, which are published by the Department of Commerce. These products are distinguished from primary strategic commodities chiefly by the fact that shipments of products in this category are considered to have strategic significance only when they exceed certain amounts. With respect to these secondary strategic items, the United States Government believes that exports to the Soviet bloc should be very carefully controlled to ensure with respect to some items that the amounts shipped are not large, and to ensure with respect to others that transactions will only be made where the transaction involved results in a net advantage to the West. The question whether a "net advantage" derives to the West has to be judged on its merits in individual cases; the type and quantity of goods the West might receive in return would be particularly important in this judgment.

3. Is the volume of non-strategic trade so great as to become dangerous in a strategic sense?

If the goods being considered for export to the Soviet bloc are not of primary or secondary strategic importance, the United States does not, ordinarily, try to interpose an obstacle on security grounds to their export by other friendly countries. But this conclusion is qualified in a number of ways. There is a risk that friendly nations may develop such close economic ties with the Soviet bloc in the marketing of their non-strategic commodities and in obtaining materials essential for their economies that the trade poses a security problem for the free world.

This is the case, of course, because once these trade channels are established, a threat by the Soviet bloc to interrupt such trade can force a friendly country to yield to Soviet bloc demands for shipment of strategic items, to accept political decisions or do. [*sic*] Accordingly, even where the export of non-strategic goods to the Soviet bloc is involved, a judgment may at times have to be made whether the trade is so large and prospectively so long-run in its nature as to raise the possibility of a serious threat of this kind. In most cases, this will probably prove not to be the case; but there may be instances, such as the recent Finnish-Soviet trade agreements, which raise concerns of this kind.

4. Is other non-strategic trade desirable?

There are situations, of course, in which the United States might object to the export of products to the Soviet bloc, on grounds other than strategic grounds; for example, when the product concerned, though not "strategic" in the usual sense, is nevertheless in short supply in the free world. We would be particularly likely to interpose objections in such situations if the free world supplier had been aided by the United States in the development of his production, either by financial aid, by priority assistance, or otherwise.

Apart from situations of this sort, however, our policy has not been to discourage non-strategic trade. There is, in fact, considerable danger in following any other course. Any other course involves many risks; in alienating friendly countries; in jeopardizing the supply of needed materials now obtained from the Soviet bloc by some friendly countries; and in opening us to the propaganda charge from Communist quarters that we are against the peaceful development of the world economy and in favor of economic warfare. This is a charge which the Soviet bloc has been able to exploit with some success in the past; we must by all means attempt to avoid vulnerability to the charge in the future.

Our vulnerability to the charge is greatest with respect to non-strategic products on which we maintain high tariffs or quantitative restrictions of any kind. On such products, in particular, it is dangerous to urge the termination of trade with the Soviet bloc while denying friendly countries alternative opportunities to sell their products here.

Editorial Note

During the course of British Foreign Secretary Eden's visit to the United States, March 4–7, 1953, a discussion took place between the British and United States Delegations on the question of maintaining tighter control over shipments of strategic goods to the People's Republic of China. After Foreign Secretary Eden had explained some of the measures instituted by the British Government to prevent such shipments, Secretary Dulles suggested that it might be well to include a statement revealing these measures in a formal communiqué in order to reduce criticism of the British Government among certain members of Congress. The communiqué on the political portions of the conversations, March 7, contained a statement to that effect. The minutes of the meeting at which the discussion took place (UKPT MIN–1, March 5) and the text of the communiqué are printed in volume VI.

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 137th Meeting of the National Security Council on Wednesday, March 18, 1953[1]

TOP SECRET EYES ONLY

Present at the 137th meeting of the Council were the President of the United States, presiding; the Vice President of the United States; the Under Secretary of State; the Secretary of Defense, and the Director for Mutual Security. Also present were the Secretary of the Treasury; the Secretary of Commerce (for Items 1 and 2); the Director, Bureau of the Budget; the Chairman, Joint Chiefs of Staff; the Administrative Assistant to the President for National Security Matters; the Special Assistant to the President for Cold War Operations; the Military Liaison Officer; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC. Various staff members from the Department of State, the Department of Defense, the Department of Commerce, DMS, MSA, and CIA, were also present to assist their principals during the discussion of Items 1 and 10.

There follows a general account of the main positions taken and the chief points made at this meeting.

1. *U.S. Policies and Programs in the Economic Field Which May Affect the War Potential of the Soviet Bloc* (Progress Report, dated January 19, 1953, by the Secretary of State and the Director for Mutual Security on NSC 104/2)[2]

Mr. Cutler introduced the first item on the agenda, and informed the Council that the Director for Mutual Security would brief them on the reference Progress Report, with the assistance of a briefing team which would answer detailed questions.

With the assistance of charts, Governor Stassen proceeded to summarize the written report which he had distributed to them at the beginning of the meeting. The major issues covered by Governor Stassen's briefing included levels of general (strategic and non-strategic) trade between the free world and the Soviet bloc; the trade of certain specified countries with the Soviets; an index of volume of trade between Eastern Europe and Western Europe prior to World War II and since the end of the war; merchant shipping involved in trade of all types with Communist China; licensing of strategic materials for export to the Soviet bloc by the European COCOM countries; and the problem of the so-called "prior commitments". Governor Stassen's presentation ended with a discussion based on charts of what seemed to him to represent the five major issues confronting the policy set forth in NSC 104/2.[3]

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[1] This memorandum of discussion was prepared on Mar. 19 by Deputy Executive Secretary of the National Security Council Gleason.

[2] *Ante*, p. 913.

At the conclusion of Governor Stassen's report, the President stated that while it had been very informative, it seemed to him that Governor Stassen had actually omitted discussion of what was by all odds the most important issue as regards this policy, namely, which side was benefitting most from east-west trade—the free world or the Soviet bloc? The President expressed the opinion that the distinction between strategic and non-strategic materials no longer made very much sense in the kind of world in which we live and in the kind of wars in which we were involved. He went on to say that the various items included in east-west trade and its general level of a few millions of dollars, did not strike him as having any great importance or significance. He could not refrain from stating that he thought it little less than crazy to waste as much talent on this problem as was represented by the individuals in this room who were devoting themselves to the problem. The President did admit, however, that of course there was the law of the land (Battle Act).

Continuing, the President stated that in his view the very best weapon in the hands of a modern diplomat was trade. If we continued to pressure our European allies to the point which we seemed prepared to do under this policy, we might very well confront a situation of virtual isolation. In short, the President said, he simply could not agree with the general philosophy underlying NSC 104/2 as it had been presented in Governor Stassen's briefing. It would be impossible to win any war with such severe restrictions placed on our allies, and especially a cold war. The President very forcefully insisted, for example, that the Danes had got to have Polish coal. On the subject of coal he went on to say that if European production could be increased by 50%, "we'd be in the clover." Coal was the secret of much of the difficulty faced by the free nations in their dealings with the Soviet orbit.

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[3] For text of NSC 104/2, see *Foreign Relations,* 1951, vol. I, p. 1059.

In response to the President's statement, Governor Stassen stated that each of the countries involved in trade with the Soviet Union within the framework of NSC 104/2, was absolutely convinced that it was getting the best of the bargain vis-à-vis the Soviet bloc. Each of these nations was likewise convinced that continuation of its present trade with the Soviet bloc was vital to the maintenance of economic health.

The President expressed no surprise at these assertions, and said that he himself would not object if the United States could advantageously purchase Soviet manganese.

It was pointed out, in response to a question from the President, that the very tiny figure for United States imports from the Soviet Union covered caviar, furs, and such luxury items.

Secretary Wilson expressed some skepticism with respect to the general position taken by the President toward Governor Stassen's briefing.

Secretary Weeks specifically called attention to the heavy increase in the shipment of anti-biotics manufactured in this country to Western European nations which in turn shipped them to the Soviet bloc. He felt that in view of the war in Korea, anti-biotics fell definitely into the classification of strategic items, and their treatment might require a different approach than that suggested by the President.

In response to Secretary Weeks' statement, the President said that he would like to ask Secretary Weeks a very simple question: Do you want to adopt, as Secretary of Commerce, a policy of supplying to the free world nations all the materials which they are now obliged to import from the Soviet bloc?

Secretary Weeks did not answer the President's question, but again pointed out that with respect to anti-biotics the situation might be different if there were not a war in Korea and if it were not likely that these drugs were being shipped to Korea.

The President then restated his general position on the subject of east-west trade and United States trade policies with respect to its European allies. The standard of living in most of the countries of Europe was, from his own observation, "too damned low." We cannot permit our national policies to lower that standard of living still further if we want to keep these nations on our side in the struggle with the Soviet Union. This was no theoretical matter to him, said the President; he had had ample opportunity to observe the low standards in French towns and villages during his sojourn in Europe. The whole attempt to restrict trade to the further detriment of these standards of living seemed to him foolish and impossible, although he was prepared to admit that the anti-biotics constituted a special case in view of their obvious use in the war in Korea.

There then ensued a brief discussion as to what, precisely, constituted strategic items. Among those pointed out besides anti-biotics were tankers, copper, certain types of machine tools, spare parts for various types of machinery, and bearings. Governor Stassen pointed out that by special methods which prevented the Soviet bloc from acquiring such items, it was certainly possible to delay the Soviet build-up for war.

Secretary Wilson agreed with the positions taken by Secretary Weeks and Governor Stassen, while Secretary Smith said that certainly in the majority of cases, though not including these and other strategic items, the advantage in east-west trade lay with the free world. The problem, said Secretary Smith, was nevertheless very complex, and it seemed to him that the Progress Report and the discussion in the Council pointed up the need for a really comprehensive view of the trade policy set forth in NSC 104/2 by the Senior NSC Staff. Such a review would enable us to make a clear distinction between the really critical items which should be embargoed, but which the Soviets should receive in as small quantity as possible, and less important materials.

There was general agreement with Secretary Smith's suggestion, though Governor Stassen pointed out that the Department of Commerce should participate with the Senior NSC Staff in the proposed review.

The National Security Council:

a. Noted and discussed an oral presentation on the subject made by the Director for Mutual Security with the assistance of the Economic Defense Advisory Committee, based on the reference Progress Report.

b. Noted the President's view that the basic question on this subject is whether the free world or the Soviet bloc is gaining the greater advantage from east-west trade.

c. Directed the NSC Planning Board, with the participation of the Department of Commerce, to review the existing policy on this subject (NSC 104/2) and submit appropriate recommendations for Council consideration.

[Here follows discussion concerning United States civil aviation policy toward the Soviet Union and its satellites, NATO strategy, payment of United States forces in Korea in Korean currency, possible reductions in the United States atomic energy program, recommendations regarding the NSC, civil defense measures, significant world developments affecting United States security, policy toward Latin America, and general national security policy.]

460.509/3-2053

Memorandum of Conversation, by the Chief of the Economic Defense Staff (Goodkind) [1]

SECRET WASHINGTON, March 20, 1953.

Subject: Discussion on East-West Trade with Staff of Senate Permanent Subcommittee on Investigations

Participants: Mr. Vernon, EDT
Mr. Goodkind, EDS
Mr. Francis D. Flanagan, General Counsel, Senate Permanent Subcommittee on Investigations
Mr. Robert Kennedy, Assistant Counsel, Senate Permanent Subcommittee on Investigations

On Friday morning, March 20, a discussion lasting about an hour and a half took place between the above four participants in the office of Mr. Flanagan, and at his request. The conversation ranged widely over the East-West trade field, the topics considered being mainly responsive to Mr. Flanagan's questions. Occasional requests for information to be furnished were interjected by Mr. Flanagan, some out of a serious desire to obtain information, but some apparently with a view to observing reaction to the requests. The following records the main topics considered.

Mr. Vernon described the organization within the Government handling economic defense matters, noting briefly the responsibilities of the key agencies involved. Mention of the Economic Defense Advisory Committee brought a question from Mr. Flanagan as to whether minutes were kept of the meetings of this Committee, and when he was advised that there were such minutes, he said that he wanted to see all of them. It was indicated that he would have to turn to the Battle Act Administrator, as Chairman of this Committee, for any such request. Mr. Flanagan was curious to know who had responsibility over the COCOM Delegation, and the way in which this was handled, both before and after the shift to SRE, was described. Some stress was laid on the role of State as the negotiator, with the negotiating objectives, however, being agreed in EDAC or set by the Battle Act Administrator.

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[1] Drafted by Goodkind on Mar. 26. The conversation recorded here was preparatory to hearings held by Senator Joseph R. McCarthy on control of trade with the Soviet bloc on Mar. 30 and 31. At the hearings, the discussion focused largely on the shipment of materials by the United States and its allies to Communist China, and more specifically on the efficacy in reducing this trade of a voluntary agreement concluded between a number of Greek shippers living in the United States and the staff of Senator McCarthy's subcommittee. Documentation on the reaction by the Department of State to this agreement, which was announced by Senator McCarthy on Mar. 28, is in Department of State file 493.009. For the transcript of the hearings, which were resumed on May 4 and 20, see U.S. Congress, Senate, Permanent Subcommittee on Investigations of the Committee on Government Operations, 83d Cong., 1st sess., *Control of Trade with the Soviet Bloc. Hearings,* Pts. I and II, 1953. For the report of the subcommittee, see *ibid., Control of Trade with the Soviet Bloc. Interim Report,* Senate Report 606, July 21, 1953.

Mr. Vernon described the various lists employed in the economic defense field, with particular emphasis on the difference between primary and secondary strategic items. It was explained that there was no list which indicated the scope of the Battle Act Administrator's interest under Title II of the Act. Mr. Flanagan was interested in the correlation between lists and identification of the items on the Battle Act embargo lists which do not appear on the international lists, or items on the U.S. embargo lists which do not appear on the Battle Act lists. On these questions he was referred to the Department of Commerce.

There was some discussion of the Battle Act as an instrument for achieving U.S. policy objectives in the economic defense field, and Mr. Vernon used the Danish tanker case, with which Mr. Flanagan was already familiar, as an illustration of the ineffectiveness of the termination of aid provisions as sanctions for export controls.

A substantial portion of the discussion was devoted to the topics of China trade and China shipping, and Mr. Vernon attempted to put these matters in some perspective by citing the various factors bearing on the significance of the trade and shipping being carried on, and by citing and explaining the positions taken by other countries involved. In the latter connection it was stressed that this Government did not necessarily agree with the reasons and that these positions were being stated only to indicate the negotiating obstacles encountered and the need on our part for substantial arguments to counter these positions if further controls were to be achieved. Stress was laid on the need for wholehearted cooperation in order to attain effective controls. Mr. Flanagan was interested in the participation of Western shipping in intra-bloc services, as well as in the China trade, and asked the State Department representatives to furnish a description of the shipping controls cited by them as having been put into effect by Panama, Honduras, Costa Rica and Liberia, and also the text of the legislation just adopted by the Government of Greece.

Mr. Flanagan inquired about the shipments of rubber by the United Kingdom to the Soviet bloc, indicating his feeling that such shipments frustrated any attempt to cut off rubber to Communist China. Mr. Vernon described the U.K. position as to the limitations put on these shipments and their reasons for continuing such shipments. Mr. Flanagan asked the State Department to furnish a full account of the discussions or negotiations between this Government and the United Kingdom concerning shipments of rubber to the Bloc.

Mr. Flanagan brushed aside the problem of classification until toward the end of the discussion, but then listened with some apparent sympathy and understanding to Mr. Vernon's explanation of the problem of secrecy which hampers this Government in speaking of the substantial controls being applied by other countries over shipments of strategic materials. Mr. Vernon cited the reasons given by other countries for insisting on the maintenance of secrecy, although indicating our own feeling that much would be gained by breaking down part of this secrecy barrier.

Mr. Flanagan had to leave toward the end of the conversation and left it to Mr. Kennedy to discuss the question whether the State Department should appear officially at a public hearing to be held by the Committee on Monday, March 30, at which Mr. Stassen would be a witness and also Mr. Frank Nash, of Defense. Mr. Kennedy said that the Committee would be happy to have someone appear for State and that he would think State would regard such appearance as necessary in its own interest in view of the type of testimony which Mr. Kennedy contemplated that the Department of Defense in particular would present. However, Mr. Kennedy said that they were not insisting on State's presenting a witness. Mr. Vernon indicated that State would consider the problem, but pointed out the difficulty that would lie in the path of a State Department representative trying to make an effective presentation in a public hearing in view of the secrecy restrictions which he had just described.

After the meeting, arrangements were made to furnish unclassified documents through Mr. Hansen in DMS, in response to the requests which Mr. Flanagan had made for the production of data from the State Department.

Editorial Note

On March 26, 1953, during the course of the visit by French Prime Minister Mayer to the United States, the French Delegation discussed with Secretary of State Dulles, Secretary of the Treasury Humphrey, Director of Mutual Security Stassen, and Assistant Secretary of Defense Nash the future role of France in the Western trade control effort. For a brief description of this discussion, see telegram 5001 to Paris, March 27, in volume VI.

398.2395/3-3153

Memorandum by the Assistant Secretary of State for Economic Affairs (Linder) to the Secretary of State [1]

CONFIDENTIAL WASHINGTON, March 31, 1953.

Subject: Position of the United States concerning Rubber Agreement

The Department's proposed position for the next meeting of the International Rubber Study Group has been cleared with all interested political and economic offices in the Department and distributed to other agencies for comment. Since you may receive calls on it from other members of the Cabinet or industry officials, I believe you should know what is involved.

We believe the United States Delegation should be authorized to concur in a decision to convene an international conference for negotiation of a rubber buffer stock agreement. Such an agreement, if negotiated, would require Congressional ratification. Its purpose would be to prevent wide swings in world rubber prices by joint action among producing and consuming countries.

There is some threat of a rubber surplus in the near future, followed by a shortage in a few years. Most experts expect a slump in rubber prices in 1953 and 1954. This could be dangerous politically and strategically, because of the dependence of Indonesia and Malaya on rubber revenue and because of the danger of increased rubber shipments to Communist China. In any collapse of rubber prices, the United States would be held largely to blame. The United States, therefore, must not at this time be in the position of blocking the search for a solution, despite the fact that at the moment there does not seem to be a clear economic case for an agreement.

The problem of a United States position and the features of a workable buffer stock agreement have been discussed informally with members of the Foreign Affairs Committee and the House Armed Services Committee, and will be similarly reviewed with the Foreign Relations Committee. While the proposed position will not be fully revealed to the industry until it has inter-agency clearance, the rubber manufacturers have made clear their strong opposition to any agreement. This opposition stems largely from prewar experience with producer cartels.

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[1] In the margin of the source text, which was drafted by Armstrong, appear Secretary Dulles' initials and a notation by Roderic O'Connor which reads: "Sec[retary] saw 4 April. RLO'C". An attached note of Apr. 7 by Assistant Secretary Linder's Special Assistant, J. Robert Schaetzel, to Armstrong indicated that the Secretary's initials should be construed as approval of the line being taken.

If any serious controversy develops over the proposed position, we shall want your personal reaction before final instructions are issued.

398.2395/4-1353

Memorandum by the Deputy Director of the Office of International Materials Policy (Armstrong) to George H. Alexander of the Agriculture Products Staff

CONFIDENTIAL WASHINGTON, April 13, 1953.

Subject: Summary of Results of Interdepartmental Meeting on Rubber Position for Copenhagen

The positions of the various agencies, as expressed at the interdepartmental meeting held on April 8, were as follows:

1. ODM expressed no specific objection to the proposed position,[1] but suggested some rewording to avoid mentioning Indonesian and British Colonial delegations by name.

2. Defense presented a letter which said that we should seek to obtain commitments for an embargo or severe curtailment of rubber shipments to the Bloc in exchange for going along with a negotiating conference.[2] When questioned, the Defense representative said that there was no objection on the part of Defense to the proposed position paper and that the suggestions for obtaining agreement obviously could not be handled in an open meeting, but would have to be taken up on the side with the rubber producing countries. When further questioned, the Defense representative said that this negotiation with the rubber producing countries would be most suitable if there were going to be a negotiating conference and if the United States proposed to take a fairly positive position at that conference. It was agreed that the United States Delegate could make it clear privately at Copenhagen that in all probability the United States would want such commitments from producers if it were subsequently to entertain seriously the idea of developing a buffer stock agreement.

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[1] This is presumably a reference to an early draft of the position paper transmitted to Armstrong on May 8, 1953, to serve as a guide for his negotiations at the Tenth International Rubber Study Group meeting in Copenhagen. The position paper, which contained substantially the same lines of thought as presented in Assistant Secretary Linder's memorandum to Secretary Dulles, *supra*, is in file 398.2395 CO/5-853.

[2] The letter under reference, dated Apr. 1, 1953, from Assistant Secretary of Defense Frank C. Nash to Assistant Secretary Linder, is in file 398.2395 CO/4-153.

3. RFC presented a letter[3] in which no objection to the proposed position paper was registered, and RFC oral comments were along the line of concurrence with the paper.

4. The Tariff Commission representative stated that the Tariff Commission decided that it could not take any position on the proposal.

5. The MSA representative said that his agency felt that the desirability and necessity of a rubber agreement had not been demonstrated, that it would be better if the United States could avoid taking any position at Copenhagen, and that it was hoped that action on the buffer stock could be delayed until the problem withered. The MSA representative agreed, however, that there was no objection on the part of his agency to the proposed position paper.

6. The Department of Agriculture said they had no objection to the position paper, that they are interested in commodity agreements, that they believe the United States should go along with a rubber agreement if there is a clear case for it, and that there is not much danger of an undesirable agreement.

7. The Commerce Department representatives said that Commerce was generally opposed to a buffer stock agreement, that it thought further negotiation of one would be misleading, and that the rubber industry was in a position to take care of the situation and prevent low prices. The OIT man said that it was unrealistic to fail to offer alternatives.

The Commerce Department subsequently wrote a letter to the Department, on April 9, indicating its position.[4] In the Industry Panel meeting on April 9, I outlined the position set forth in our paper, indicated that it had been approved by the Secretary, and stated that one agency of the Government had not yet approved it.

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[3] Not found in Department of State files.

[4] The letter of Apr. 9 has not been found in Department of State files. In a meeting, however, between several officers of the Department of State and the Assistant Secretary of Commerce, Samuel W. Anderson, on Apr. 28, 1953, the Department of Commerce yielded to the Department's position. (Memorandum of conversation, Apr. 28, 1953, 398.2395/4-2853) As indicated in footnote 1 above, instructions were issued to the U.S. Delegate to the Copenhagen meeting on May 8. The decision was taken during that meeting, which convened on May 11, to call a special meeting of the Management Committee of the International Rubber Study Group in London in October to perfect a draft rubber buffer stock agreement. Reports relating to the Copenhagen meeting are in file 398.2395/6-553. For a report on the October Management Committee meeting in London, see telegram 1668 from London, Oct. 17, 1953, p. 1027.

INR files

National Intelligence Estimate [1]

SECRET
NIE-59

WASHINGTON, April 16, 1953.

PROBABLE ECONOMIC EFFECTS OF A SEVERANCE OF EAST-WEST TRADE [2]

THE PROBLEM

To estimate the importance of current East-West trade, and the capability of the Bloc and the West* to adjust to its severance.

SCOPE

This estimate relates exclusively to trade now being carried on between the Bloc and the West; it is not concerned with the effects of present trade controls, or with the effects of an increase in the current amount of East-West trade.

The analysis of economic consequences assumes a *complete* cessation of trade. However, it is virtually certain that some, if not many, non-bloc countries would refuse to cooperate in a complete cessation of trade in any circumstances short of general war. The *over-all* effects of a severance of East-West trade could not be estimated without examining the political reactions to measures to achieve severance. Therefore, it should be emphasized that this estimate does not examine political questions connected with a severance of East-West trade.

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[1] National Intelligence Estimates (NIEs) were high-level interdepartmental reports presenting authoritative appraisals of vital foreign policy problems. NIEs were drafted by officers from those agencies represented on the Intelligence Advisory Committee (IAC), discussed and revised by interdepartmental working groups coordinated by the Office of National Estimates of the Central Intelligence Agency, approved by the IAC, and circulated under the aegis of the CIA to the President, appropriate officers of cabinet level, and the National Security Council. The Department of State provided all political and some economic sections of NIEs.

[2] According to a note on the cover sheet, the intelligence organizations within the Departments of State, Army, Navy, and Air Force, the Joint Staff of the Joint Chiefs of Staff and the CIA participated in the preparation of this estimate. All members of the IAC, except the FBI, which abstained because the subject was outside of its jurisdiction, concurred in this estimate on Apr. 9, 1953.

*The Soviet Bloc consists of the following countries: the Soviet Union, Poland, Eastern Germany, Czechoslovakia, Hungary, Bulgaria, Rumania, Albania, Communist China, and North Korea. Hereafter, the Soviet Bloc countries will be referred to as the Bloc. The West refers to all countries in the world other than those included in the Bloc. [Footnote in the source text.]

CONCLUSIONS†

1. The amount of trade still carried on between the Bloc and the West is so small in relation to the total productive capability of either side that its severance could not have a significant effect upon the general level of economic activity of either the Bloc or the West.

2. Among the goods imported into the Bloc from the West, however, there are certain items which are of substantial importance to current Bloc industrial and military production. These items include electron tubes and components, certain chemicals, certain types of machinery and equipment with their spare parts, and probably also tin, natural rubber, copper, zinc, and cork. If these items of import ceased to be available, bottlenecks would appear in the Bloc productive system and during a limited period of time adverse repercussions would spread through the economy.

3. A complete cessation of imports and withdrawal of Western shipping services would not bring about a significant reduction in the present gross national product of the Bloc. It would, however, significantly retard the planned increase of Bloc national product in the years immediately after trade severance. During these years, also, production of some specific military end-items would probably be reduced, but the amount of this reduction, and the particular items affected, would depend on Soviet production policies and on the size and rate of the use of Bloc stockpiles of strategic materials. We are unable to estimate these factors.

4. We believe that, with the possible exceptions of natural rubber and electronic tubes and components, the Bloc would be capable of replacing concurrently, within about four years, all goods presently imported from the West. Once this had been done, the effects of a stoppage of imports would become virtually negligible.

5. Within the Bloc, the European Satellites account for more than half the Bloc's trade with the West; the burden of readjustment would therefore fall very heavily on them, and might give rise to additional difficulties in their relations with the USSR. The demands of Communist China upon the USSR for economic assistance would also become more insistent if all supplies from the West were cut off.

6. The physical availability of resources in the West is sufficient to make the economic effects of a severance of East-West trade virtually negligible. An added strain would be imposed on the dollar

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†For note on the nature of the evidence available for this estimate, and the related footnote of the Director of Naval Intelligence, see page 13. [Footnote in the source text. Page 13 is not printed. It consists entirely of a cautionary note to the effect that the evidence for this estimate was "in many ways . . . deficient."]

resources of some Western countries. Appropriate measures, possibly including international allocation machinery and international financial arrangements, would be necessary if those particular Western countries which now trade extensively with the Bloc were not to suffer serious economic dislocations.

7. It is impossible to estimate the strategic, as distinct from the economic, significance of a severance of East-West trade without examining all the political, economic, and other effects of such a severance in the light of the policies and objectives of the Bloc and the West respectively, and the probable nature, duration, and timing of a future war. For this reason we are unable to estimate the relative strategic effects upon the Bloc and the West of a severance of East-West trade.

DISCUSSION

The General Level and Pattern of East-West Trade

8. The value of officially reported merchandise trade between the Bloc and the West for 1952, based on official reports by Western governments, is estimated to be between $1.6 and $1.7 billion each way, in 1951 prices. This represents about 1 percent of the gross national product of the Bloc, and about one-fourth of 1 percent of that of the West. Western trade with the Bloc constitutes about 2.5 percent of the total international trade of all Western countries. Bloc trade with the West constitutes about one-third of the total international trade of all Bloc countries.

9. Over and above the officially reported trade summarized above there is a substantial traffic in goods smuggled out of the West into the Bloc, or transferred more or less openly but without being officially reported. The value of such traffic is not exactly known; it may be from 10 to 20 percent as great as the value of officially reported trade. So far as possible this irregular traffic has been taken into account in estimating the importance of specific items of current East-West trade. In estimating the capability of the Bloc to adjust to a severance of East-West trade it has been assumed that clandestine and unreported trade will cease together with officially reported trade. Some of the more important items imported into the Bloc, however, such as electron tube components and industrial diamonds, are high in value and small in bulk, and lend themselves readily to smuggling. We cannot estimate the probable amount of such smuggling after a severance of legitimate trade; insofar as smuggling took place it would decrease the effects of a cessation of legitimate trade.

10. East-West trade consists primarily of an exchange of Western capital goods, industrial raw materials and services, for coal and

agricultural, forest and mineral products from the Bloc. The West sends to the Bloc not only raw materials but also items produced by advanced technology, labor-saving manufacturing facilities, and skilled labor, and receives in return mainly commodities requiring only limited capital equipment and unskilled labor. The composition of East-West trade is set forth in more detail in Annex A.[3] From these tables it appears that machinery, transportation equipment, natural rubber, chemicals, metal ores and metal manufactures together account for about half of the value of Bloc imports from the West. Western imports from the Bloc consist primarily of coal, grains, fats and oils, and forest products.

11. The Bloc merchant fleet now comprises about 2,500,000 gross registered tons (grt.). Of this total, 518,000 grt. are lend-lease vessels (83 ships, from 3000 to 7000 grt. each) which have never been returned to the US. Seventy-two of these, including 38 Liberty ships, are virtually the backbone of the Bloc long-haul merchant fleet both in European waters and on the route to the Far East. In addition to these lend-lease ships (which in this estimate are accounted as Bloc vessels), an average of 1,500,000 grt. of Western shipping are engaged in carrying cargo either between the West and Bloc or between various ports of the Bloc itself. Five hundred thousand tons of this shipping are engaged in trade with Communist China; of this about two-thirds are used between Communist China and the West, and one-third between Communist China and the European Bloc. Most Bloc vessels trading with Communist China are bunkered with Western fuel and use Western ports en route. Moreover, the Bloc receives other services from the West in connection with East-West trade, including ship repairing and rebuilding, insurance, and banking. During the past year 61 Bloc ships, totalling 300,000 grt. underwent 30 days or more of repair work each in Western shipyards.‡

The Importance of Imports to the Bloc

12. It is clear from the figures presented in paragraph 7 that the value of goods annually imported into the Bloc from the West is insignificant in comparison with the Bloc's total economic activity. Considered in the aggregate, therefore, the effect on the Bloc economy of cutting off imports appears negligible. As might be expected, however, some imports are more important to the Bloc than others, and trade severance would naturally have different effects upon different sectors of the Bloc economy. In order to reach con-

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[3] Not printed.

‡There is evidence that a large number of additional ships are awaiting repair. These cannot be accommodated as long as Soviet yards are devoted almost 100 percent to naval construction. [Footnote in the source text.]

clusions as to the importance of specific imports to the Bloc, it would be desirable to have detailed accounts of the utilization by the Bloc of each separate item imported from the West. We do not have enough data to give such accounts; hence the importance of specific imports to the Bloc will be indicated by a few examples, where information is available. The aggregate effect of cutting off these imports can be approximately assessed by a method of analysis which will be explained below. (See paragraph 29.)

13. A preliminary indication is given in Annex B,[4] which shows the estimated proportion that imports of certain commodities and classes of commodities bear to total Bloc supplies (production plus net imports) of these items. It appears from these tables, and from other information, that the Bloc supply of natural rubber and of cork is virtually all imported. Imports of tin provide 29 percent of current supplies; zinc, 10 percent; copper, 10 percent; and lead, 7 percent. Imports of raw wool and rayon account for 9.3 percent and 5.6 percent, respectively, of Bloc supplies of those goods. In the various broad categories of capital goods and manufactured items, imports account for only small fractions of total supplies.

14. The significance of some of the figures in Annex B is limited, however, by the fact that they apply to broad classes of commodities; this is particularly true of the figures on capital goods and manufactures, imports of which form such a small proportion of Bloc supplies. Thus, for example, it can be shown that the Bloc depends upon imports for only about 4 percent of its total supply of machine tools, yet within that 4 percent may be certain types of tools which the Bloc does not make for itself. Thus some specific items of import, though representing a minor share of total imports and an insignificant fraction of the gross national product of the Bloc, may be of greater importance to the Bloc economy than their money values suggest. If these imports ceased to be available, bottlenecks would almost certainly appear in the Bloc productive system, and for this reason the real damage to the Bloc could easily become a multiple of the replacement cost of the import, as the indirect repercussions of its loss spread through the economy.

15. An example of such "bottleneck" import items is furnished by certain components of electron tubes. For its manufacture of electron tubes the Bloc is dependent on the West for various critical materials, such as refractory metals in refined and fabricated forms, and diamond dies for drawing fine wire. In addition, though the USSR has enough electronic mica for its own uses, the Satellites must rely on imports of this material. Roughly the same situation exists with regard to nickel, especially radio-grade nickel for

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[4] Not printed.

cathode sleeves. Tungsten wire, essential to the production of electric lamps, is largely obtained from the West. None of these materials represents an appreciable proportion of the total value of Bloc imports, yet an effective embargo on these critical materials would probably cause the Bloc output of electron tubes to drop by 50 percent as soon as existing inventories of these materials were used up. Such a drop would in turn heavily affect the production of radio and radar apparatus. Since the production of electron tubes in the Bloc has been weighted in favor of types for use in military applications, and will continue to be so weighted, a drop in their production would probably have an appreciable effect on military procurement.

16. Another example is that of heavy electrical machinery. Approximately one-quarter of the Bloc's annual increment of heavy electrical machinery is currently imported from the West. Many of the Bloc's industries require this machinery for military or military-supporting production. The submarine program, the steel industry, the atomic energy program, and the railroad equipment industry are examples of strategic sectors of the Soviet economy which would be likely to have difficulties in fulfilling planned output if either the supply of heavy electrical machinery or the output of other basic industries which in turn depend on this supply were curtailed. To a lesser extent the steam and hydraulic turbine industry may be placed in the same category. Denial of imports in this field would have an adverse effect on ship construction, and would limit the proposed expansion of the electric power supply.

17. These examples illustrate the fact that there are, among the comparatively small volume of imports still going from the West to the Bloc, a number of "bottleneck" items, loss of which would cause difficulties to the Soviet economy and to its production of military end-items. A "bottleneck" item of import must have the following characteristics: (a) it must be a commodity of which a substantial proportion of total Bloc supplies is imported, or the stoppage of imports will not be much felt; (b) it must have a small number of uses, all of which are important, or the loss of imports may be overcome by small reductions of output in a large number of industries; (c) it must be a commodity for which substitutes cannot easily and quickly be found; and (d) inventories of the item must be small in relation to the requirements for its use.

18. We do not have sufficiently detailed knowledge of the Bloc economy to identify directly all such bottleneck items of import. According to the standard described above, however, current Bloc imports of foodstuffs, textile fibers, iron and steel products, some non-ferrous metals, fertilizer, and a sizeable proportion of miscella-

neous goods clearly do not constitute bottleneck items. These commodities together represent about half the value of Bloc imports from the West. We therefore estimate, for the purpose of cost calculations to be made later in this paper, that the remaining 50 percent of the value of Bloc imports represents bottleneck items.§

19. The most important bottleneck items of import into the Bloc from the West are almost certainly electron tubes and components, certain chemicals, and certain special types of machinery and equipment with their spare parts. In addition to these finished products certain raw materials—tin, copper, zinc, cork, and natural rubber—are imported to the Bloc in sufficient quantities to suggest that a cessation of imports would cause bottlenecks, if only to a limited extent.

20. To cut off the shipment to the Bloc of "bottleneck" items would obviously cause difficulties to the Bloc economy. Yet we cannot estimate the exact impact of such a measure, and in particular we cannot estimate its impact upon the production of specific military end-items. Much of the effect of the embargo would depend upon the policy of the Bloc planners. If, for example, Bloc production of electron tubes were reduced by one-half because of a stoppage of imports, we may presume that the Bloc planners would cause as much of this setback as possible to fall upon the production of civilian radio sets rather than of military radar, but we cannot profitably speculate on the details of the planners' decisions. Likewise, we cannot predict in detail the consequences of a shortage of electric generators in the Bloc arising from a cessation of imports, even though we may presume that these consequences might be made to bear upon other things than the Soviet atomic energy program.

21. Finally, we cannot estimate the immediate effects of a stoppage of "bottleneck" imports because we do not know the size of Bloc stockpiles. Since the Soviet rulers must be aware of the vulnerabilities of their economy, it is a reasonable presumption that they have attempted to provide as far as possible against cessation of critical imports by building stockpiles of the commodities in question. This, as well as needs for current use, may account for the pressure which the Bloc uses in trade negotiations, the clandes-

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§This estimate is probably over-generous, since the Bloc already has considerable production of many goods in the "bottleneck" categories here assumed. Moreover, there is evidence that the Bloc has lately been acquiring capital equipment to produce some of the goods which we now consider to be bottleneck items. For example, the Bloc has recently imported machines for making capacitor paper, diamond dies for wire drawing, and wire drawing machinery. Thus it may be that the Bloc's most critical deficiencies for the manufacture of electron tubes and components, as described in paragraph 15 above, have already been overcome. [Footnote in the source text.]

tine buying, the willingness to pay considerably more than market prices, and the general urgency with which the Bloc seeks to acquire critical materials. We believe it probable that Bloc stockpiles of all critical items would be sufficient to cushion the immediate impact of a stoppage of imports, but we are unable to estimate how long the stockpiles would last, or what the policy of Soviet planners might be with regard to the rate of using them.

Adjustment by the Bloc to Severance of Trade

22. It may be assumed that upon the severance of East-West trade the Bloc would take steps to adjust its economy to the new situation—to compensate as far as possible and as quickly as feasible for the loss of imports. We have therefore to estimate: (a) whether and how far such compensation is possible; (b) how long it would take; and (c) how much it would cost.

23. With respect to the first of these questions, we believe that the Bloc is capable of satisfactory adjustment to the loss of imports from the West, given sufficient time and effort applied to the task. During the last three decades the USSR has achieved a productive capacity second only to that of the United States. Its technical and scientific skills, particularly in strategically important fields, have ceased to be markedly inferior, and have proved themselves by the production of jet aircraft, atomic bombs, and many less conspicuous accomplishments, to be of a high order. The Bloc can draw on the diversified resources of an entire continent, and on the technical skills of Germans, Czechs, and others to supplement the Soviet capability. We therefore believe that the Bloc could, in time and at a cost, reallocate its resources, develop the new or expand the old facilities and techniques as required, and produce for itself the goods now imported from the West or acceptable substitutes. It is in this connection that the aggregate value of these imports becomes significant; it is so small in relation to the total of Bloc resources that the Bloc's ability to achieve ultimately a full economic adjustment to the loss of Western imports is almost self-evident.

24. The next question relates to the time required for the Bloc to replace lost imports, || and to break the bottlenecks caused by a severance of trade. The answer to this question must of course be a matter of judgment; it cannot be demonstrated. We believe that within four years the Bloc could expand its production sufficiently to replace any single presently imported commodity except natural

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|| The phrase "to replace lost imports" is inexact. It is used for convenience in this estimate to mean the expansion within the Bloc (or the West) of existing production, and/or the building of new facilities, sufficient to produce goods of the type and in the amount formerly imported, or acceptable substitutes for such goods. [Footnote in the source text.]

rubber. Most of these imports, considered individually, could be replaced in less than four years. We further believe that, with the possible exceptions of natural rubber and electronic tubes and components, the Bloc would be capable of replacing all of these imports concurrently within about four years.

25. Replacement by the Bloc of imports of natural rubber presents a special problem. We believe that the Bloc could, within three years, produce an amount of synthetic and reclaimed rubber equal to the amount of natural rubber now imported. For some essential uses, however, there is no presently known substitute for natural rubber. The Bloc stockpile of natural rubber is estimated sufficient to last five years at present rates of usage. If natural rubber were confined to the most essential uses, primarily airplane tires, the stockpile would probably last about ten years. We believe that the Bloc would be able, before the exhaustion of its stockpile of natural rubber, either to find a Bloc source of natural rubber or to develop substitutes which would be adequate for all essential uses.

26. The fact that a bottleneck was broken in a given period of time would not mean that the effects of that bottleneck, in their repercussions through the economy, would be instantly cancelled. In a sense the damage could never be made up, for Bloc production would permanently remain somewhat less than it would have been had the interruption not occurred. As the years passed, however, and Bloc production continued to increase, the proportion of this permanent shortfall to the total of production would diminish to a negligible quantity.

27. We believe that most of the indirect and multiplied effects of a stoppage of bottleneck imports could be overcome by the Bloc economy within about four years after the stoppage occurred. In other words, the significant effects of a severance of trade upon the Bloc could not be expected to last more than about four years. However, the actual duration of these effects might in specific instances be longer or shorter because it would depend to a great degree upon the decisions of Bloc planners. They might, for example, choose to replace certain imports at a slower rate in order to reduce the annual cost of doing so. Our estimate, therefore, is of what it would be possible for the Bloc to accomplish, not necessarily what it would in fact accomplish.

28. Finally, there is the question of the aggregate economic cost to the Bloc of a severance of trade, or, in other words, of the effect of a severance of trade on general Bloc economic capabilities. Calculation of this cost for the long-run period, i.e., the period after full adjustment to the loss of imports had been completed, can be made with fair confidence. In the process of replacing imports, re-

sources would have to be transferred from other more productive uses, including those resources formerly used to produce goods for export to the West, to import-replacing industries. These resources would be used to increase output in existing plants, to expand productive capacity, and in some cases to develop new materials as substitutes. Having made these adjustments the Bloc would find itself with an allocation of resources different from what would have existed in the absence of trade severance. The gross national product would be lower than it otherwise would have been, and this reduction in gross national product would be the annual economic loss to the Bloc. We believe that the annual costs to the Bloc of a complete severance of trade, after adjustment to the severance was completed, would be about $900 million, representing about 0.4 percent of Bloc gross national product in the early years after full internal adjustment. The percentage would thereafter decline as Bloc national product continued to increase.

29. It is more difficult to calculate the annual aggregate cost to the Bloc during the four years immediately following trade severance, when the adjustment would be taking place. Presently available data are inadequate for a confident estimate. To the gradually increasing cost of replacing lost imports must be added the gradually decreasing cost arising from the non-availability of previously imported commodities. In estimating the latter, moreover, allowance must be made for "bottleneck" effects, by which the cost of an unreplaced import is multiplied because of the repercussions which its loss produces throughout the economy. On the basis of the limited data available, we believe that costs for each of the four years within the period of adjustment to a complete severance of trade would be roughly as follows: 1.3 percent of gross national product in the first year after trade severance; 0.8 percent in the second; 0.6 in the third; and 0.5 in the fourth.¶ We consider that these percentages might vary from one-half to twice the figures here given. It has elsewhere been estimated that the increase of Bloc gross national product during the year 1953–1954 will be slightly less than 6 percent. It follows that an immediate and complete severance of East-West trade would probably reduce this increase to about 4.5 percent. The retardation of growth might remain appreciable for several years thereafter.

30. The nature of the principal Bloc imports, and of the resources required to build up capacity to replace them, indicates that the short-run impact of the adjustment would probably fall more heav-

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¶ In making this calculation, it was assumed that 50 percent of the value of Bloc imported items represented "bottleneck" imports, and to allow for their bottleneck effect upon the economy the direct value of their loss was multiplied by three. [Footnote in the source text.]

ily on the armaments and capital goods industries than on the civilian consumer goods sector of the economy. The combined production of armaments and capital goods might, in the first year after trade severance, be from 2 to 6 percent less than it would have been had the trade continued. In subsequent years the impact on these sectors of the economy, like that on the economy as a whole, would progressively diminish.

31. The foregoing discussion of Bloc adjustment to a severance of trade has not considered the strains which the adjustment might impose upon the Bloc planning and administrative system. For example, the European Satellites account for more than half the Bloc's trade with the West; the burden of readjustment would therefore fall very heavily on them, and might give rise to additional difficulties in their relations with the USSR. The demands of Communist China upon the USSR for economic assistance would also become more insistent if all supplies from the West were cut off. To estimate the force and effect of these political and administrative difficulties is beyond the scope of this paper; their probable existence nevertheless needs to be pointed out.

Adjustment by the Bloc to Withdrawal of Western Shipping

32. A complete severance of East-West trade would terminate the present employment of all ships, both Bloc and Western, engaged in carrying goods between Western and Bloc ports. It would also presumably involve withdrawal from Bloc service of those Western ships now carrying goods under charter between ports of the Bloc, and denial of bunkering, repairing, and other shipping services now furnished by the West to the Bloc.

33. The Bloc would be faced with problems of adjustment in two distinct sectors: trade between European Bloc ports, and trade between the European Bloc and Far Eastern ports. These two sectors require separate consideration.

34. If all trade between the West and the Bloc were stopped, about 300,000 gross registered tons of Bloc shipping now carrying cargoes between European Bloc ports and the West would be freed from this employment. Including lend-lease ships, this tonnage would be more than enough to make up for Western shipping now carrying dry cargo between ports of the European Bloc. Even without lend-lease ships, Bloc tonnage freed by severance of East-West trade would probably still be equal to the amount withdrawn by the West.** However, the Bloc would not in either case have

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**The possibility that the USSR might decide under certain circumstances to limit the use of lend-lease ships is referred to in SE-37, "Probable Effects on the Soviet Bloc of Certain Courses of Action Directed at the Internal and External Commerce of Communist China," paragraph 31. [Footnote in the source text. For Special Estimate 37, Mar. 9, 1953, see volume XIV.]

enough tankers to replace those chartered from the West which are now engaged in the oil trade between Black Sea ports and the Baltic and Arctic ports. We believe that the resulting additional load on Bloc railways could be handled.

35. Current seaborne imports into Communist China are estimated at about 1.4 million tons per year, of which perhaps 75 percent arrives in Western ships. We believe that an additional amount as great as this is within the present maximum capacity of the Trans-Siberian railroad and the connecting lines into North China. The transportation facilities of Communist China, including Bloc coastal shipping, would be adequate to distribute this tonnage, though some additional strain would be placed upon the Chinese railroads. Since some Bloc shipping would still be available for traffic to be carried between the European Bloc and Communist China, withdrawal of Western shipping would not in itself affect the Bloc's capability of maintaining the present volume of trade between Communist China and the rest of the Bloc. It is unlikely, however, that if East-West trade were severed all present imports into Communist China from the West would be replaced from Bloc sources. Thus the total volume of Communist Chinese imports might at least initially be less than at present.††

36. Withdrawal of bunkering and other services presently furnished by the West to the Bloc would reduce the efficiency of the Bloc merchant fleet and require adjustments in Bloc shipyard employment. Most Bloc vessels trading between Europe and the Far East would have to be fuelled from tankers at sea. This would have to be done at the expense of the Bloc's domestic petroleum lift. Additional fuel would have to be transported by the Bloc to the Far East, either over the Trans-Siberian railroad or by tankers. Bloc shipyards would be forced to convert certain facilities from naval construction to merchant ship repair and replacement.

37. We cannot estimate in detail how Bloc planners would allocate available shipping to various routes if Western shipping and services were withdrawn. There would be a loss of efficiency due to an inadequate number of long-range ships and increased repair time on those available. Communist China's external trade would probably be reduced, and the planned expansion of the Communist Chinese economy delayed. We believe that the problems of adjustment presented to Bloc planners could in time be solved, but that during the period of adjustment additional strains would be placed

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††For more detailed discussion of this problem, see SE-37, "Probable Effects on the Soviet Bloc of Certain Courses of Action Directed at the Internal and External Commerce of Communist China." [Footnote in the source text.]

on the Bloc's internal transport system and costs would increase because of the greater expense of land transportation.

Adjustment by the West to a Severance of East-West Trade

38. The physical availability of resources in the West is sufficient to make the economic effects of a cessation of East-West trade virtually negligible, if successful arrangements are made for reallocation of these resources among the countries concerned. It is estimated that Western European coal imports from the Bloc account for only 1.6 percent of total Western European coal consumption; bread grain imports for only 2.4 percent, and coarse grains for only 3.3 percent. Moreover, the West imports nothing from the Bloc which could not be replaced from Western sources, either in kind or by acceptable substitutes, if trade with the Bloc should cease. There would be no bottleneck problems worth mentioning. No appreciable curtailment of essential production would be necessary.

39. To some Western countries, however, current levels of trade with the Bloc are important. In 1952, about 20 percent of the foreign trade of Finland, and about 10 percent of that of Austria, was carried on with the Bloc. Finland relied on imports from Poland for two-thirds of its coal consumption, Sweden for 28 percent, Austria for 15 percent, and Denmark and Italy for 7–8 percent. In the crop year 1951–1952, Finland bought more than 30 percent of its supplies of food grain from the Bloc, Norway 20 percent, and Egypt about 10 percent. The United Kingdom obtained 12 percent of its coarse grain supplies from the USSR. These imports are advantageous to the receiving countries primarily because alternative supplies of these commodities would have to be paid for mainly in dollars.

40. Some of the commodities now exported by Western countries to the Bloc are produced at relatively high cost, and the producers have been enabled to make these exports because the Bloc has paid premium prices or has made advantageous barter trade concessions. In such cases, special difficulties might be encountered in adjusting to the cessation of East-West trade. In 1951, Finland sold 69 percent of its commercial exports of machinery in Eastern Europe, Austria 40 percent, Sweden 22 percent, and Italy 16 percent. Soviet orders also proved attractive to some of the European shipyards. More recently, Ceylon sold one-third of its rubber output to Communist China, at a price which was only slightly higher than the world market price. In this case, Communist China's willingness to conclude a long-term agreement to supply rice in exchange for rubber was an important factor.

41. If the various Western countries thus affected were not to suffer serious dislocation of their domestic economies from a sever-

ance of East-West trade, they would have to be provided with imports in place of those they now receive from the Bloc and to be assured of markets in which to sell the products they now sell to the Bloc. In the long run these problems might be solved as Western trade naturally settled into new channels, so that imports were bought from, and exports sold to, Western countries rather than the Bloc. Such a development would have its difficulties, and would require adjustments such as lowering the prices of the exported goods, shifting production to other goods, and changing marketing practices. If the general level of Western trade remained high, these adjustments could probably be accomplished in about two years. There would be some permanent cost, because some commodities would always be more expensive if procured in the West than if purchased from the Bloc. This cost would be low, however, and would scarcely be a perceptible proportion of the gross national product of the West.

42. In the short run, while this adjustment was being made, the United States would have to be the chief Western supplier of commodities such as coal and grains which are now procured from the Bloc. These commodities would have to be paid for in dollars. As an indication of the magnitude of this problem, we estimate that if current East-West trade were suddenly and completely severed, Western Europe alone would have to incur an additional dollar expenditure of about $300 million in the first year after the severance, if its imports from the Bloc were to be fully replaced. This estimate makes allowance for the additional dollar earnings (or savings) which would result from the retention in the Free World of goods which are now exported to the Bloc.

43. The greatest problems of the West in adjusting to a severance of trade with the Bloc would be political and administrative rather than strictly economic. The willingness of Western governments and peoples to make the necessary adjustments—to give and to receive financial aid, to alter trade channels, to lower trade barriers, to seek new export markets, to use substitute materials, to set up and operate international machinery for the allocation of resources—would depend on many factors, including the circumstances under which East-West trade was severed. These problems, like the corresponding ones for the Bloc mentioned in paragraph 31 above, lie beyond the scope of this estimate, important though they would probably be to the success of the adjustment.

Relative Strategic Effects of a Severance of Trade upon the Bloc and the West

44. A decrease or cessation of East-West trade would be economically disadvantageous to both the Bloc and the West. The preceding

discussion indicates that it would, from a purely economic point of view, almost certainly be more disadvantageous to the Bloc than to the West. It does not necessarily follow, however, that a decrease or cessation of East-West trade would afford a net strategic advantage to either side. Such calculations can be usefully made only in relation to given situations or policies: whether peace or war is contemplated; whether war is to be short or long; whether it is to be begun immediately or after a lapse of time; where it is to be fought; what weapons are to be used; what allies are to be cultivated.

45. For these reasons we are unable to estimate the relative strategic effects upon the Bloc and the West of a severance of trade. For example, we have not examined the political and social disturbances in the West that might under various circumstances attend a severance of trade with the Bloc. Even if we had done so, however, we could not weigh their strategic significance against such opposing factors as the retardation in the Bloc's economic growth that a severance of trade would produce. It is impossible to determine the strategic significance of a severance of East-West trade without examining all the political, economic, and other effects of such a severance in the light of the policies and objectives of the Bloc and the West respectively, and the probable nature, duration, and timing of a future war.

S/S-NSC files, lot 63 D 351, NSC 97 Series

Report to the National Security Council by the NSC Planning Board [1]

TOP SECRET
NSC 97/3

WASHINGTON, May 20, 1953.

STATEMENT OF POLICY PROPOSED BY THE NATIONAL SECURITY COUNCIL ON A NATIONAL PETROLEUM PROGRAM

(Parenthetical references are to paragraphs of the Staff Study)

General Considerations

1. A supply of petroleum and petroleum products adequate for military and essential civilian requirements is vital to the security of the United States and the free world.

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[1] In addition to the proposed statement of policy printed here, NSC 97/3 consists of a cover sheet, a memorandum by Lay to the NSC in which it was stated that the adoption of NSC 97/3 would mean the supersession of NSC 97/2, a table of contents, a 5-page financial appendix, and a 24-page NSC Staff Study. For the text of NSC 97/2, Dec. 13, 1951, see *Foreign Relations*, 1951, vol. I, p. 978.

2. In the event of a war in which all Middle East oil producing territories, Burma, and parts of Western Europe are lost, available supplies of petroleum products will fall far short of meeting indicated minimum requirements, both at the outset and during the war, unless drastic action is instituted at once. Although deficiencies will exist in crude oil, basic refining capacity and inland transportation, the most serious risk to our national security stems from the shortage of production of alkylate (an essential component of aviation gasoline) and in tankers.

3. These conclusions are the result of a study predicated on a four and one-half year war to begin July 1, 1953,[2] but they are equally applicable to a shorter war. For whatever period shorter than four and one-half years a war may last, the annual requirements will be at least as large as the annual requirements projected for the four and one-half year period.

4. If the courses of action described below are adopted and vigorously implemented, it will, however, be possible to meet minimum wartime requirements, except that shortages during the first year of war, primarily in aviation gasoline and tankers, will in any event exist. Certain of these courses of action involve construction, purchase and other action prior to the outbreak of war. Others, though limited to construction to commence after war begins, involve present planning for that construction.

5. The assumptions of paragraph 4 with respect to the correction of wartime deficiencies are subject to the important condition that manpower and materials will be available in sufficient quantities. There is at present no completed government-wide study which appraises petroleum requirements for manpower and materials against competing essential wartime needs. Although it is not now possible to predict with any accuracy the nature and extent of specific shortages in manpower and materials which will be disclosed by a government-wide study now in preparation, it is certain that shortages will exist.

6. To the extent that the assumed D-Day is postponed beyond July 1, 1953, the difficulty of achieving a wartime balance in crude petroleum, under the assumption of loss of the Middle East, will steadily increase. Retention of Middle East sources of supply will accordingly grow in importance, as will the need for developing and expanding all other possible sources. (46–57) Therefore, in the formulation of policy with respect to Middle East countries and the determination of the proper future level and disposition of our military strength, the increasing importance of the Middle East as the

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[2] The reference here is to PAD Report No. 435, Dec. 10, 1952, portions of which are printed on p. 901.

greatest known source of petroleum must be recognized. At the same time the hazards of wartime petroleum transportation from the Middle East must also be considered. There must also be increasing emphasis on sources of liquid fuels which are not now conventional, as an alternative protection to the free world's position.

Objective

7. It should be the objective of the United States to develop and insure, in conjunction with its allies, resources which will provide an adequate supply of petroleum products to meet the combined requirements of the United States and its allies in a future major war.

Courses of Action

8. *Current Programs Requiring Action (other than planning) Before Outbreak of War*[*]

a. Accelerate efforts to obtain expansion by private industry by December 31, 1954, of 30,000 barrels per day (B/D) aviation alkylate capacity (in addition to completion of all projects now under way, including 5,800 B/D additional alkylate capacity already contracted for under the "Facilities Contract Program"). (33–35, 70–82)

b. Stockpile sufficient mobilization reserve of aviation gasoline to meet wartime deficits from D-Day to the date when production will meet demand. (The extent of the deficit to be covered from the stockpile will depend upon the date of the outbreak of war. Even if the expansion provided for in subparagraph *a* has been completed at the time of the outbreak of war, a deficit to be met by stockpiling will still exist.) (33–35, 70–82)

c. Provide, as a matter of urgency,[†] a mobilization reserve of 175 T-2 equivalent laid-up tankers in order to meet initial wartime deficits and create a tanker shipbuilding base capable of expansion to meet wartime demands. This program will include government purchase of existing tankers as a means of stimulating new tanker construction by private capital. (41–43, 85–87)

d. Continue research in, and development of, practical methods of producing liquid fuels from non-conventional sources. (68)

e. Construct pipeline facilities by which the potential production of the Elk Hills Naval Reserve will in the event of war be available for use. (26, 66)

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[*] Items *a*, *b*, and *c* are considered to be of the highest urgency to alleviate the present risk to national security. [Footnote in the source text.]

[†] Without extraordinary measures and corresponding increase in expense, completion of the program to the point where new ships are built and the old ships turned in will probably require between three and four years from the date authority and funds are available. [Footnote in the source text.]

f. Resist further restrictions on imports of petroleum and natural gas in order to assure maximum development and wartime availability of Western Hemisphere resources. (91)

9. *Programs Requiring Current Planning for Action After the Outbreak of War*

a. Periodically review methods for imposing quick and drastic wartime rationing of civilian petroleum supplies. (20–22, 24, 62–64)

b. Complete plans, including estimate of material requirements, for the maintenance throughout the war of (1) active exploration for oil, and (2) a drilling program of 50,000 wells annually in the United States and 6,300 annually in foreign countries, principally the Western Hemisphere. (25–28, 65)

c. Complete plans, including estimate of materials requirements, for (1) the construction of 500,000 B/D refining capacity in the United States to be started immediately after the outbreak of war (to supplement construction of 1,300,000 B/D Free World refining capacity which will be under way on July 1, 1953, and (2) the conversion as soon as possible after D-Day of 400,000 B/D of thermal cracking capacity to crude topping operations. (29–31, 69)

d. (1) Complete plans for construction of 60,000 B/D additional alkylate capacity to be started immediately after the outbreak of a war; and (2) develop a specific operating plan for United States refiners which will maximize wartime aviation gasoline production. (33–35, 70–82)

e. In order to minimize tanker requirements for the intercoastal movement of petroleum and provide needed flexibility in other petroleum transportation equipment, develop detailed plans:

(1) To expand four existing pipelines within 60 days after D-Day;

(2) To reverse, also within 60 days, the flow of certain Pennsylvania pipeline systems (either four or five);

(3) To initiate and complete construction within six months after D-Day of (a) a 30-inch crude oil pipeline along the "Big Inch" right-of-way (subject to confirmation by the study contemplated in para. 10 below, that timely post D-Day construction is feasible) and (b) a further 30-inch pipeline from the vicinity of Lima, Ohio, to the Philadelphia-New York area;

(4) To convert the "Little Big Inch" pipeline from gas to oil. (36–40, 83)

f. Develop an effective program for construction after D-Day of 175 T-2 equivalent tankers within the first six months and 310 annually thereafter. The annual requirement after the first six months will be increased from 310 to 350 (and the over-all wartime requirement from 1582–1732) in the event that the programs provided for in subparagraph (*e*) above are not implemented. (41–43, 85–88) *g*. Continue planning, in conjunction with allies who will participate in the defense of the area in a major war, to maintain the flow of oil from the Middle East for as long as practicable. (46–57, 67)

h. Complete plans, in conjunction with other Western Hemisphere countries, for the most efficient and economical wartime use of Western Hemisphere petroleum resources. Such resources, including facilities for transportation, should be handled jointly in wartime in a manner to obtain the best results, without regard to points of origin or cross-boundary shipments. (91)

10. *Study of Feasibility*

a. With respect to each of the above courses which contemplate construction or other action after D-Day (including completion of construction in process at that date), make immediate intensive study of the feasibility of completing such construction within the time required, with particular reference to the competing demands of other military and defense supporting programs for manpower and materials.

b. To the extent that programs herein provided for are found to be infeasible, report to the National Security Council, with recommendations for any needed enabling legislation or additional funds to be requested from the Congress.

c. A finding of infeasibility may require that we (1) create before D-Day reserves of materials, components or tools for which shortage may exist after D-Day, or alternatively (2) transfer to the period before the outbreak of war part or all of the construction now planned to begin after D-Day. For example, if the proposed construction after D-Day of a 30-inch crude oil pipeline along the "Big Inch" right-of-way (para. 9*e* (3) (a) above) is found to be infeasible, we must decide whether we should merely stockpile large diameter pipe for construction after D-Day or should build the line now. Similar decisions may be required in case it is concluded that there will be a post D-Day production shortage of oil country tubular goods for drilling, of components for alkylate plant expansion, or of turbines, gears or valves for tanker construction.

S/S–NSC files, lot 63 D 351, NSC 152 Series

Report to the National Security Council by the NSC Planning Board[1]

SECRET
NSC 152

WASHINGTON, May 25, 1953.

REVIEW OF ECONOMIC DEFENSE POLICY

THE PROBLEM

1. Broadly stated, the problem is the extent and the degree of intensity with which the United States should apply, and seek from other countries, the restriction of trade with the Soviet Bloc and with China, in order to reduce their relative economic potential for war.

2. This report is addressed to a statement of four alternative courses of action in the economic defense field and the factors which should be weighed in consideration of the alternatives. The four alternatives are:

1. To maintain the present policy.
2. To abandon the trade control program.
3. To intensify the scope and force of the program.
4. To establish the program on a narrower basis by concentration on commodities and services of major importance to Soviet war potential.

Discussion of the four alternatives is preceded by a brief background statement and by a summary of the present control system.

BACKGROUND

3. A sound policy in this field of economic defense must rest on certain assumptions with respect to the imminence of war. One assumption is that war, while not immediately imminent, remains an ever present possibility. Among the other possible assumptions are war within five years; within ten to fifteen years; or not within the foreseeable future. U.S. policy in this field should be built also within the framework of related government policies, such as those affecting foreign aid, NATO, and the stimulation of trade within the free world. Finally, in measuring the validity of alternative courses of action, consideration should be given to the effects of the

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[1] In addition to the report printed here, NSC 152 consists of a cover sheet, a table of contents, and a note from Executive Secretary Lay to the members of the NSC stating that the report was prepared by the NSC Planning Board pursuant to NSC Action No. 738–c. That action was the third directive issued by the Council at its meeting of Mar. 18; see the memorandum of discussion, p. 939. Lay's note also stated that the original draft of this report was prepared by the Acting Chairman of the Economic Defense Advisory Committee.

chosen policy on the European Soviet Bloc and China, on friendly countries, and on the United States itself.

4. There are many difficulties inherent in the attempt to measure the validity of policy against these yardsticks. With respect to the impact on the Soviet Bloc, our intelligence does not offer conclusive evidence. Considered judgment seems to indicate that over the long term, trade restrictions, though withholding a contribution, cannot seriously impair the over-all Soviet Bloc economy. However, over the short term and in selected areas there probably is a retardation of the growth of Soviet war potential. It is difficult also to assess the extent to which reductions in trade with the bloc are the result of Soviet unwillingness or inability to trade rather than of United States and Western European trade controls.

5. With respect to our allies, the economic problems posed by trade restrictions are greater for Western Europe than they are for the United States. The problem is partly one of maintaining sources of supply (particularly in non-dollar areas), as well as markets. Moreover, as political matter, Western European Governments shy away from measures which might be considered "economic warfare" as opposed to "economic defense", partly out of concern as to Soviet reactions and partly for fear of building up strength of neutralist or pro-Communist parties within their borders. Many countries have been distressed about U.S. measures to increase the severity of trade controls against the Soviet Bloc. The fear of a downturn in economic activity and the fear of a protectionist commercial policy on the part of the United States heighten the pressures in Western Europe for more rather than less trade with the Bloc.

6. In the United States, the Congress, the business community and public opinion as a whole have been generally favorable to severe limitations on trade with the Soviet Bloc, both by the U.S. and by our Allies. Congress has repeatedly tried to use the withholding of foreign aid to compel other countries to adopt a very stringent trade control program. In this connection, Congress has several times sought to prescribe mandatory and inflexible standards both with respect to executive discretion and sanctions to be applied to other countries. While the business community has not shown much interest in direct trade with the Soviet Bloc, there is some concern about differences between the control levels applied by the U.S. and other competitive nations, particularly where such differences have led the U.S. Government to withhold exports to friendly countries in order to avoid certain shipments by the latter to the Soviet Bloc. In addition, the psychological impact of the pre-Pearl Harbor shipments to Japan of steel scrap and oil, and the

public concern with the Communist menace have sometimes led to an emotional rather than a reasoned approach to this problem.

7. The selected course of action should be sufficiently clear so that in its administration it will be possible to minimize the development of major differences in interpretation. Finally, it must also be viewed in terms of over-all costs of this and closely related programs.

SUMMARY OF PRESENT POLICY

U.S. Controls

8. With respect to Communist China and North Korea, the U.S. maintains a complete embargo on all exports and prohibits American vessels or aircraft from touching at Chinese Communist ports. In addition, the U.S. limits or denies bunker fuels to vessels of foreign registry plying in the China trade. Imports from Communist China are in effect prohibited through Treasury Department foreign assets control measures. Supplementing these controls is a severe screening of all proposed U.S. exports to Hong Kong and Macao, major transshipment points for goods moving into China.

9. Our policy with respect to the European Soviet Bloc is based upon a denial of all U.S. goods of any strategic importance with administrative discretion to limit approvals of nonstrategic goods. The result of this policy (and the low level of requests for export licenses induced by it) has been a near embargo on shipments to the Bloc. U.S. exports to the European Soviet Bloc are now at a rate of less than one million dollars a year compared with $340 million in 1947.

10. Aside from the controls directed at the Bloc itself, the U.S. follows a policy of avoiding "frustration" of U.S. controls by endeavoring to prevent shipments of strategic goods to friendly countries which have less restrictive controls on these goods than the United States and are in fact shipping the same or similar types of goods to the Soviet Bloc. U.S. policy recognizes that other countries may sometimes have sound reasons for imposing less severe controls over particular commodities than does the U.S. However, we seek, in the absence of offsetting advantages, to avoid a significant contribution by the U.S. to the ability of other countries to ship goods to the Soviet Bloc which we would not ship ourselves. With some exceptions the application of this policy has been limited thus far to those commodities which the U.S. considers sufficiently important to warrant complete embargo.

11. The development of the U.S. security export control program, as well as the international negotiations for parallel controls, have been based on the strategic evaluation of the importance to Soviet

war potential of specific commodities and services. Munitions items and atomic energy materials raise no policy problems since there is universal agreement on the necessity for maintaining a complete embargo for them. The determination of the relative strategic importance of other commodities is based upon the general principle of avoiding, on a selective basis, a significant contribution to Soviet war potential.

12. Two main classes of strategic commodities have been developed. First is the class of commodities considered to be of primary strategic importance and warranting complete embargo to the Bloc. There are two U.S. lists in this class. List I (260 listings) comprises those items for which international embargo agreement has been obtained in the Paris Coordinating Committee (COCOM); List IA (25 listings) covers items on which the COCOM countries have disagreed with the U.S. judgment and have been unwilling to embargo to the Bloc.

13. The second main class of strategic commodities consists of items considered to be of secondary strategic importance and warranting strict quantitative limits on shipments to the Bloc. There are two U.S. lists in this class. List II (85 listings) covers those items for which the COCOM countries have agreed to impose quantitative limits on shipments to the Soviet Bloc; List IIB (168 listings) covers items on which the COCOM countries have disagreed with the U.S. judgment and have been unwilling to limit shipments to the Bloc.

14. The Battle Act Administrator has established a list of items the shipment of which by other countries to the Soviet Bloc requires termination of aid unless the President determines otherwise. This list includes all of the items on U.S. List I and four of the items on U.S. List IA. Twenty-one of the IA listings are not included.

15. The distinction between the primary and secondary strategic items has become largely academic since in actual licensing practice, virtually no U.S. exports to the European Soviet Bloc are approved. This has come about from the general climate of American opinion from the reluctance of many exporters to trade with the Soviets, and through the exercise by the Secretary of Commerce, upon recommendation of his interagency Advisory Committee on Export Policy, of the discretion vested in him by NSC 104/2.[3] The significance of the distinction between the primary and secondary strategic items is now related principally to the degree of control which the United States seeks to have other countries adopt, and

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[3] For text of NSC 104/2, see *Foreign Relations*, 1951, vol. I, p. 1059.

to the application of the nonfrustration policy regarding exports of U.S. goods to friendly countries.

16. Of major importance in determining the scope of the trade control program are the specific criteria governing the selection of commodities for the primary or secondary strategic classes. In accordance with the established criteria the primary strategic (embargo) category consists of (a) items designed or used *principally* for *production* of munitions; (b) items with prototype or advanced technology characteristics; and (c) items the embargo of which would create or maintain a *critical* deficiency in Soviet war potential. The secondary strategic (quantitative) criteria are not quite as specific but relate to items which meet the above standards to a lesser degree and for which a contribution to war potential is directly related to the volume of shipments.

17. In practice, the application of the criteria has varied at times from the literal wording. As written, the standards are directed primarily at the *production base* for a war build-up. They are concerned with items designed for the *production* of war material, not with items, *used* by military forces. The shortage criteria relates not simply to shortages as such, but to *critical deficiences* and those only in relation to Soviet war potential. However, the criteria have been interpreted at times to cover items *used* by the military rather than used for production of military items. Also, some efforts have been made to stretch the concept of shortage to cover all kinds of shortages on the theory that the USSR is so single-minded in purpose and so heavily concentrated on war preparation that any shortages, and in fact any import demands, make a commodity "strategic" and a proper subject for embargo or quantitative control.

International Controls

18. In the international field the primary reliance has been on multilateral negotiations to achieve controls by the major industrial countries on shipments to the Eastern European Soviet Bloc. The principal vehicle for these negotiations has been the informal and secret thirteen-nation Paris Coordinating Committee (COCOM). The international approach has been marked by a recognition that some differences in stringency of controls exercised by countries other than the U.S. may be warranted by economic or political considerations. The objectives have been to obtain embargo agreements on primary strategic items and quantitative controls on secondary strategic items at a level which does not represent a significant contribution to Soviet war potential. There is also an exchange of information on other selected items included on an International List III. The major areas of disagreement with respect

to the embargo listings are in the fields of transportation, mining and construction equipment. The electrical power and generating equipment field currently being negotiated may also fall in this group.

19. With respect to China, international controls agreed in COCOM, though short of the total embargo imposed by the U.S., provide for an embargo of items on International Lists I, II and III, and a supplemental list based upon (a) the military action in the Far East, and (b) the different circumstances affecting the strategic importance of commodities and services to Communist China and Korea.

20. Both with respect to China and to the European Soviet Bloc, the approach taken in the multilateral forum, as in the execution of U.S. nonfrustration policy, includes the concept of net security advantage, i.e. building the strength of the West relative to that of the Soviet Bloc. This approach has meant continued discussion of East-West trade agreements in which the objective has been to attempt to maximize the advantages to the free world resulting from such trade, balancing against inclusion of strategic materials, consideration of what is received from the East and what goods difficult to market in the West are enabled to be exported. As a result there have been some exceptions from agreed levels of control in the case of individual trade agreements or specific commodity exchanges.

21. Supplementing the efforts directed at control of commodities are efforts to achieve effective ancillary controls to make the commodity controls more effective. These ancillary controls deal with such things as shipping, ship repairs, transshipment, transit trade and transaction controls. Although the principal reliance in international negotiations has been on the multilateral approach, the provisions of the Battle Act relating to possible termination of aid and such devices as the withholding of U.S. exports under the nonfrustration policy have on a limited scale had the effect of applying unilateral pressure on other countries to achieve the objectives of the control program.

22. . . . The U.N. China Embargo Resolution also has provided a useful basis for approaches to non-COCOM countries with respect to restrictions on strategic trade with Communist China.

23. Finally, study is being given and some sporadic efforts are being made to deal with the problem of decreasing the reliance of the Western nations on the Soviet Bloc for needed commodities. Although this program may have long-range importance in building a pattern of trade within the free world independent of the Soviet Bloc nations, little progress has been made beyond the study stage.

ALTERNATIVE ONE—MAINTAIN PRESENT POLICIES

24. The main lines of the present policies have been summarized above.

Effects on the Soviet Bloc

25. As noted, the program is probably causing at least a short-term retardation of the growth of war potential particularly in selected areas involving advanced technology and advanced mass production techniques. It is probable also that over a long-term period the effects on the Soviet of the trade restrictions can be overcome. Since the program of trade control was instituted in 1948, trade between the free world and the Soviet Bloc, excluding China, has declined only slightly. This small downward trend takes on sharper significance, however, in view of the substantial increase in the availability of goods for exchange which has come about through the economic recovery in Europe since 1948. Moreover, it is safe to assume that, apart from absolute quantities, the composition of the trade has altered in a direction away from the more strategic items. The existence of the trade control program has been used by the Soviets in their propaganda with emphasis on the allegation that the West is standing in the way of a resumption of normal economic relations which might be conducive to a relaxation of East-West tension and an easing of the balance of payments problem of Western Europe.

Effects on Friendly Countries

26. The objectives agreed to in our present international program are probably as far as our Allies and other friendly countries are willing to go in the field of security controls. New proposals by the United States are meeting increasing resistance as representing an approach into full-scale economic warfare. However, the improvement of transit controls, transshipment controls, and controls over shipping services could bring present performance measurably closer to present agreed objectives; so far, progress in the field has been slow.

27. The use of unilateral pressures by the United States, epitomized in their view by the penalty provision of the Battle Act, has been frequently resented by other friendly countries. To some degree, they have come to recognize that the drastic measure of cutting off all aid to a major cooperating country is not likely to be taken by the United States. They are aware that the losses to the security of the free world if the United States were to cut off aid to any of its major partners in the North Atlantic community and elsewhere would be so great that the action would probably not be taken; the security interest of the United States itself would ordi-

narily compel the continuance of such aid unless a country absolutely refused to cooperate and flagrantly violated Western security interests. In such a case, it is likely that this lack of cooperation would extend to other mutual security programs, and it would be academic whether aid were discontinued under the Battle Act or other action. Unilateral action provokes resentment not only because of the normal sensitivity of countries to measures which they construe as coercive, but also because they feel that the East-West trade problem, being one in which they have relatively a much larger economic and political stake than the United States, should be dealt with in a multilateral forum where the interests of all the principal countries can be reflected.

Effects on the United States

28. The United States Congress, business community, and public generally approve the program as far as the U.S. controls themselves are concerned, although business may object to the program if economic activity declines and foreign competitors continue to have some access to Soviet Bloc markets. There is dissatisfaction with respect to the less restrictive controls which other countries are maintaining to the Soviet Bloc as a whole and particularly to Communist China. Moreover, U.S. exporters are concerned where the "non-frustration" policy curtails or threatens to curtail exports to friendly areas. In some instances, a full implementation of this policy might mean a severe economic blow to the producing industry.

29. In implementation of present policy, the current difficulties arise out of differences between the U.S. (Commerce) security lists and the Battle Act lists; differences in interpretation of basic policy, particularly with respect to the concept of strategic [*sic*], with some agencies striving for broader interpretation and stricter controls and some adhering to a more selective approach than has been followed in the recent past; and differences of view with respect to methods and the degree of pressure which should be brought on other countries to achieve a greater degree of parallelism with U.S. controls.

Appraisal

30. The present policy has some impact on the Soviet Bloc war potential. Whatever the extent of this impact may be, the U.S. public and the Congress are likely to insist upon the continuation, if not the extension, of existing controls as long as Soviet aggression in the Far East and the threat of world-wide aggression continue.

31. On the other hand, certain aspects of the present program are a source of constant irritation in our international relations.

Moreover, the "stretch out" of the NATO program and the threat of protectionism in U.S. trade policies may increase the resistance of other free world nations to the present level of controls and may increase their vulnerability to Soviet trade tactics. Finally, the present program has not succeeded in satisfying all of the demands of the U.S. public and Congress for stricter security trade controls by other countries, and there is little likelihood that such demands would be satisfied by any feasible extension of such controls within the limits of present policy.

ALTERNATIVE TWO—ABANDONMENT OF ENTIRE TRADE CONTROL PROGRAM

32. Except for munitions and AEC items, no export controls would be applied by the United States or other Free World countries.

Effect on the Soviet Bloc

33. Such a program could result in an important contribution to Soviet economic as well as war potential. We have, however, no sound basis for judging the extent to which the Soviets would be willing or able to resume trade on a large scale or what the result in volume and composition of trade would be. It is reasonable to assume that any Soviet imports would increase in the heavy industry and "bottleneck" sectors of the Soviet economy. There would be no assurance that the Soviets would export greater quantities of the types of goods most needed by the Western nations; but if they did not, the contribution of the West to the Bloc would be less.

Effect on the Free World

34. The abandonment of trade controls—a reversal of U.S. policy since 1948—might be welcomed in some quarters as a major move toward peace. It could significantly affect the Western European economic situation. On the one hand, it might open new markets for Western goods if the Soviets are willing and able to trade, thus paving the way for more earnings by the West. This gain could be offset to some extent by the competition of the United States in Soviet Bloc markets which has been absent since 1948.

35. The adoption of this policy would not necessarily increase the range of Western commercial contacts behind the iron curtain, but would undoubtedly increase the flow from the West of technology.

Effect on the United States

36. In the United States the abandonment of the trade control program would require a major re-orientation of attitudes. Legislative action would be required such as the repeal of the Battle Act. The legislative history of the past few years does not suggest that

this can be done easily. U.S. exporters themselves might be somewhat reluctant to trade with the Communists unless the climate of opinion in the United States is substantially changed. However, over a longer term, removal of the export controls would provide new markets for some types of American goods and such markets might have importance in the future.

Appraisal

37. The adoption of this policy is feasible only if we can safely assume that a war is not likely in the foreseeable future. It offers some possibility of use as part of an American peace offensive, perhaps coupled with the offer made in the President's ASNE speech[3] for some economic aid out of savings which might result from the adoption of a world disarmament program. It would be an approach in the psychological and economic field which could probably be taken as a "calculated risk" coupled with other proposals which would, upon acceptance, significantly diminish the threat of war with the Soviet Bloc.

38. In the absence of a major reorientation of U.S. policy vis-à-vis the Soviets, and parallel revision or realignment of relative strength of the Free World and the Soviet Bloc, little would be accomplished by abandonment of the trade control program. Any psychological gain that might be achieved by such a broad move could probably be achieved equally well by a less sweeping curtailment of the present program.

ALTERNATIVE THREE—TO INTENSIFY THE SCOPE AND FORCE OF THE PROGRAM

39. Intensification would consist of driving toward complete parallelism within the Free World with U.S. security export controls, and perhaps ultimately a total embargo. For its achievement, it would require the maximum use of diplomatic pressure and threats of sanction, such as withholding financial and military aid, withholding some or all U.S. exports, or discriminating with respect to imports from uncooperative countries. Existing restraints on the use of these pressures, which are incorporated in present laws and directives, would have to be relaxed or removed. The program might be accompanied by new U.S. undertakings to provide cooperating countries with additional aid and new markets.

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[3] On Apr. 16, 1953, the President spoke before the American Society of Newspaper Editors; for the text of his speech, see Department of State *Bulletin*, Apr. 27, 1953, pp. 599–603.

Effect on the Soviet Bloc

40. If the rest of the Free World went along with the program there would be some adverse impact on the Soviet Bloc. The impact might be greater in the psychological and political field than in the economic and strategic field. It is possible that in the short term a complete or more complete, curtailment of trade would accentuate some of the economic problems within the Soviet Bloc and might impede the military buildup. After a short period (4-5 years) the Soviet economy would be able to replace the denied imports. It might also, however, intensify their program of self-sufficiency and war preparation.

41. However, if many countries refuse to join in the program, the level of Free World controls as a whole might actually decline. Furthermore, the program might have the effect of strengthening pro-Soviet or neutralist sentiment in the Free World.

Effect on the Free World

42. The effect of an intensified trade control program on Western Europe and on the NATO might be very grave since it is reasonable to assume from the present attitudes that the NATO countries would resist such a program. The cutting off of financial and military aid to a major participant might result in a complete or partial breakup of NATO. A large-scale program of economic and military aid would perhaps be the only way of bringing the NATO countries within such a framework and perhaps then only if their intelligence estimates supported the assumption of more or less immediate Soviet aggressive intent.

Effect on the United States

43. In the United States, a more intensified trade control program would attract considerable support from some segments of Congress and the public. It might be opposed by those who believe that it might increase the risk of war. If the result was an increase in the differential between U.S. controls and those of other countries, trade pressures against such a program might increase.

44. Public and Congressional resistance would be substantial to an increased aid program or opening of U.S. markets tied to this objective.

Appraisal

45. This program would be more feasible and desirable if war were generally considered as imminent. There is a real risk that the proposal might lead to a reduction of the overall level of controls. To reduce this risk, there would have to be a change both in the attitudes of our Allies and in the attitudes of our Congress. The first would have to be far more amenable to added controls than

they now are. The second would have to be more willing to provide the added funds and the added market opportunities which might represent the inducement to our Allies to go along with this approach.

46. The intensification of controls, if adopted, would have some slight adverse effect both on the Soviet Bloc and on our Allies. However, added aid and added market opportunities might mitigate the difficulties for our Allies somewhat.

ALTERNATIVE FOUR—TO ESTABLISH THE PROGRAM ON A NARROWER BASIS BY CONCENTRATION ON COMMODITIES AND SERVICES OF MAJOR IMPORTANCE TO SOVIET WAR POTENTIAL

47. Such a program would essentially be a modification of the present one. In the first instance, it could be accomplished through a limitation of the concept of "strategic" to items directly related to the mass production of war materials in the Soviet Bloc, and to equipment with highly advanced technical characteristics whose application would be primarily military. It might extend in a limited way to selected items of direct military application and in sectors of industry in which strategic and industrial interests are closely mingled and where the items concerned could easily and quickly be turned from peaceful uses to the manufacture of war equipment or other direct military application.

48. In greater detail such a program might encompass all or some of the following specific policies:

a. Embargo or quantitative control of only such goods the strategic importance of which is accepted on an international multilateral basis.

b. Change in U.S. export policy of virtual embargo to the European Soviet Bloc to one of licensing, largely without restriction, of non-strategic goods and of licensing limited quantities of "secondary strategic" items. A corollary would be U.S. participation in quotas established by COCOM for shipments to the Soviet Bloc.

c. Change in U.S. export policy to permit shipments of non-strategic goods to Communist China.

d. Modification or abandonment of the non-frustration policy on U.S. exports to friendly countries.

e. Negotiations with other governments primarily on a multilateral basis and largely discarding the possible use of sanctions.

f. Agreement (a) to reduce to a narrow basis the present international embargo list, or alternatively (b) to maintain this list in its current status; and abandonment in either case of U.S. efforts to obtain major extensions of the list except where clearly justified by new technology, intelligence or strategic evaluations.

g. (a) Reduction to a narrower basis of International List II or alternatively, (b) abandonment or slowdown of efforts to obtain further reductions in quotas for items quantitatively controlled and of U.S. efforts to make further additions to International List II.

h. Concentration of effort on obtaining agreement on ancillary controls in order to assure the most effective implementation of the more limited field of commodity coverage.

i. Adoption of a more flexible attitude, both with respect to U.S. controls and international controls, so that exceptions to general rules can be readily made, thus removing some of the minor irritants now causing friction.

Effect on the Soviet Bloc

49. The change to this narrower program would not significantly alter the impact of the present program on Soviet war potential. There are now no real obstacles to the Soviets obtaining those materials which are not restricted by COCOM agreed levels. A tightening of the ancillary controls on the narrower base might cut down on the illicit movement of the highly strategic goods. To the extent that the Soviets are willing and able to trade, the level of trade in non-strategic goods might be increased.

Effects on the Free World

50. The Western European nations would undoubtedly welcome such a change in the U.S. approach to the economic defense problem. With some of the coercive elements of the present policy removed, they might join more willingly in related defense programs. If this new approach actually stimulates greater East-West trade, the economic base of Western Europe might be strengthened over the short run, and the need for U.S. economic aid and decreasing reliance programs might be reduced. On the other hand, a greater degree of U.S. participation on non-strategic and secondary strategic trade would increase competition for Soviet orders. The change in U.S. policy could be used as an entering wedge by Western European countries towards further relaxation of controls. Moreover, because the United States has pressed for such stringent controls in the past, a change in U.S. policy might affect relations with several countries, notably Japan, which has gone much farther than other countries in stringent controls.

Effects on the United States

51. This policy would in effect reduce U.S. controls to the internationally agreed COCOM levels. It also would open up the opportunity to American business to compete for markets in the Soviet Bloc. This would remove the basis for the present objection by the business community to the differential control levels. Congress and the general public would resist this apparent relaxation and intensify criticism of the program. This could, however, be done without changes in legislation such as the Battle Act.

Appraisal

52. The relaxation of controls, or stated in reverse, a U.S. willingness to trade with the Soviets on a selective basis, might be used as part of an American psychological effort in the direction of world peace along the lines of the President's ASNE speech. As compared with the alternative of the complete abandonment of the trade control program (Alternative 2) the psychological benefits would be appraised in a more receptive atmosphere by Congress and American public opinion. No doubt a relaxation in the control program to the narrower base suggested by this alternative would be opposed by some elements of the Congress and the public. Until there is peace in Korea, the resistance to changes in the current embargo to Communist China would be considerable.

53. There may be corollary advantages in the field of intelligence and knowledge of the Soviet Bloc if trade could be resumed even on a limited basis, since such trade would certainly involve a greater degree of intercourse than is now possible. The advantages of such additional intelligence should be weighed against the possible security disadvantages which increased trade might bring. Consideration of this alternative should also take into account, as an important factor, the timing of the various steps which would be taken to effect a relaxation of controls.

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 146th Meeting of the National Security Council on Wednesday, May 27, 1953[1]

TOP SECRET EYES ONLY

Present at the 146th meeting of the National Security Council were the President of the United States, presiding; the Vice President of the United States; the Acting Secretary of State; the Secretary of Defense; and the Acting Director for Mutual Security. Also present were the Secretary of the Treasury; the Secretary of the Interior; the Secretary of Commerce; the Director of Defense Mobilization; the Chairman, Atomic Energy Commission (for Item 3); Dr. Vannevar Bush (for Item 3); Dr. Robert Oppenheimer (for Item 3); the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; Robert Cutler, Special Assistant to the President; C. D. Jackson, Special Assistant to the President; the Secretary of the Navy (for Item 2); J. Ed Warren, Deputy Administrator for Petroleum Administration (for Item 2); W. Y. Elliott, ODM Planning

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[1] This memorandum of discussion was prepared on May 30 by Deputy Executive Secretary of the National Security Council Gleason.

Board Member (for Item 2); Earl W. Clark, Deputy Maritime Administrator (for Item 2); Robert B. Murray, Jr., Under Secretary of Commerce for Transportation (for Item 2); Charles J. Hedlund, Director, Program Division, Petroleum Administration (for Item 2); Robert L. Finley, Office of Defense Mobilization (for Item 2); W. G. Donley, Petroleum Administration for Defense (for Item 2); Brig. General A. H. Johnson, Chairman, Joint Petroleum Committee, Munitions Board (for Item 2); the Military Liaison Officer; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

There follows a summary of the discussion at the meeting and the chief points taken.

[Here follows an oral briefing by Director of Central Intelligence Dulles regarding significant world developments affecting United States security.]

2. *A National Petroleum Program* (NSC 97/3; Memo for NSC from Executive Secretary, same subject, dated May 26, 1953)[2]

Mr. Cutler sketched the history of the Council's efforts to develop a national petroleum program, and then introduced to the Council Mr. Robert Finley of the Office of Defense Mobilization, who, with the aid of the various experts present, briefed the Council on the content of NSC 97/3.

At the conclusion of Mr. Finley's presentation, the President stated that he had a number of questions which he wished to put to Mr. Finley and the experts. Noting that the requirements for aviation gasoline were estimated to be rising continually, the President asked if allowance had been made for the replacement of conventional aircraft by jet aircraft, which would normally reduce the requirements for aviation gasoline. Mr. Finley replied in the affirmative.

The President then inquired the length of time it would take to activate tankers which had been placed in storage. Mr. Finley replied that to "de-mothball" the 175 tankers in question would require 50 days.

The President then asked whether, in view of the tanker situation, we and our allies would pool their tanker resources and whether the present report took account of this possibility. The answer was in the affirmative.

The President followed with a question as to whether there was not a conflict between the recommendation that more wells should be drilled in the United States, on the one hand, and the recommendation for increased imports of oil into the United States, on the other. Wouldn't the increased import of oil have an adverse effect on our own oil industry?

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[2] NSC 97/3, dated May 20, 1953, p. 963; the memorandum by Lay transmitted to the NSC a memorandum by Gen. Omar Bradley which contained the concurrence of the Joint Chiefs of Staff in NSC 97/3. (S/S–NSC files, lot 63 D 351, NSC 97 Series)

Mr. Warren thought that this was unlikely in view of the steadily increasing rate of drilling in this country in recent years, although, if there were a flood of oil imports from the Eastern Hemisphere, the effect could be serious.

The President expressed the hope that the 175 new tankers would be fast enough to evade enemy submarines. He was informed by Mr. Clark that their speed would range between 15 and 18 knots.

Secretary Anderson stated that the Navy Department was not only very much concerned with the tanker program which was set forth in NSC 97/3, but also with the larger problem of shipbuilding capacity in the United States. The situation was serious, and Secretary Anderson was convinced that whatever course of action we followed, to maintain our shipbuilding capacity would require some kind of subsidy. Since the last real study of our national shipbuilding policy, both public and private, had been made in 1947, Secretary Anderson strongly recommended the creation of a new group to restudy this whole problem.

Secretary Wilson informed the Council that he had very serious doubts as to the current validity of the assumptions on which NSC 97/3 had been written. Accordingly, it was his recommendation that the Council postpone any decision on the report at this meeting while a new look was taken, over the next month, at the assumptions which underlay the report and the most recent data available in the Department of Defense.

The President reacted by expressing the view that those who had prepared the present study had had access to all the pertinent information to date.

Secretary Humphrey agreed with Secretary Wilson, particularly in view of the desirability of proceeding with Secretary Anderson's suggestion for a new over-all study not only of the tanker situation but of shipbuilding in the United States generally.

Mr. Cutler then stated his emphatic conviction that the authors of the present report had carefully gone into all the relevant problems, all the pertinent data, and that their assumptions with respect to petroleum requirements in the event of war had been given to them by the duly constituted military authorities. He was, therefore, he said, at a complete loss to understand Secretary Wilson's proposal for postponing consideration of NSC 97/3 pending a review of requirements and assumptions. Mr. Cutler added that he did not believe that the staff of the Council could possibly perform its function if, when it presented its reports to the Council, members of the Council questioned the reliability of the information which their own departments had given to the staff.

The President expressed sympathy with Mr. Cutler's point, but said nevertheless that the Council was entitled to ask questions about reports it was considering. He then said that he desired to look at the cost estimates of this proposed program, and this was followed by a lengthy discussion of the several items relating to costs.

In the course of this discussion Secretary Weeks stressed the value of the proposed tanker program as a means of keeping our shipyards busy. In most instances they were faced by the prospect of a complete shutdown, and this program might prevent this serious development. Secretary Weeks also noted that the Department of Commerce, together with the Department of Defense and other agencies of the Government, was engaged in studying a ship subsidy program which covered all kinds of shipping and which he indicated would be ready in three months' time.

Secretary Humphrey expressed the view that in the construction of tankers it would be well to consider the availability of shipyards in such foreign countries as England and Japan, as well as in the United States. He pointed out that the ships could be built abroad for half or less of the cost of building them in this country, and he recommended this fact to the Mutual Security Agency as a means of effecting a useful offshore procurement program.

Mr. Rand inquired whether the authors of NSC 97/3 had included the availability of foreign ships in their consideration of the tanker program. He was informed that all free world tanker shipping had been taken into account.

The President then stated that the hidden subsidy involved in the proposal that the Government purchase existing tankers in order to stimulate the construction of 175 new ones, did not cause him to shudder as did many other subsidy proposals. It seemed to the President very clear that this operation was in the interest of our own national security and to the advantage of our allies. He believed, nevertheless, that our allies ought to build a certain proportion of these tankers. There were many yards available in Europe, and the Russians certainly would be unable to bomb them all.

Secretary Smith then informed the Council of a new source of anxiety with which he felt they should be acquainted. In recent months the tight situation with regard to the tanker fleet of the free world had eased so much that many tankers were now available at very low rates. This fact, taken together with the disposition of Iran to dump oil at a 50% discount, raised the possibility of complete chaos in the world market for crude oil. Secretary Smith asked the opinion of the experts present as to the likelihood that large amounts of Iranian oil could be presently lifted.

The President was inclined to doubt that the Iranians were capable of producing any significant quantity of oil even if tankers were available to carry it.

Secretary Humphrey felt that any move by United States companies to buy Iranian oil would mean the loss of our most effective ally the minute it happened. In effect, said Secretary Humphrey, these companies would be buying stolen goods, and he, for one, was strongly opposed to any such procedure.

Secretary Smith replied that it would certainly be difficult to prevent the Japanese, the Italians, and the Argentines from lifting Iranian oil, and he said he had also heard that several small U. S. syndicates were preparing to move into this field.

If that were so, replied Secretary Humphrey, it would be the beginning of a development which could very well spell the doom and confiscation of all United States investment abroad. If the Iranians managed to get away with this breach of faith and contract, the example of their success would be followed in so many other areas as to pose a fearful threat to the whole future of world trade.

The President inquired despairingly what could conceivably be done with Mossadegh. He thought it might even be necessary to ask Congress to enact legislation to embargo imports of Iranian oil if, as seemed to be the case, this oil was stolen goods.

The President then went on to inquire what was needed to make the present report complete.

Mr. Finley believed that it was complete and ready for consideration in its present form, though Secretary Wilson reiterated his belief that the assumptions and the requirements needed to be reviewed. To illustrate his point, Secretary Wilson observed that if it was no longer proposed to reach an Air Force strength of 143 wings, the figures in the present report for fuel requirements would be lower.

After further discussion the President stated his belief that, in principle at any rate, the program set forth in NSC 97/3 would have to be followed. He suggested that while Secretary Wilson was reviewing requirements, Secretary Weeks should proceed to get in touch with the owners of tankers in order to sound out their reaction to the proposal that the Government purchase a certain number of ships in the existing fleet.

Secretary Wilson did not disagree with this suggestion, but emphasized the importance, in the course of such negotiations with the shipowners, of securing some assurance that after new tankers had been built in American shipyards, these shipyards would not be closed down and lost to the Government as part of the necessary mobilization base.

Mr. Flemming said he had no objection to Secretary Wilson's proposal for a review of the assumptions and requirements on which the present report had been compiled, but he noted that NSC 97/3 was concerned with a serious deficiency in our war potential. It furthermore prescribed a program of action which was plainly needed. He therefore urged that Secretary Wilson's review not be too long delayed, and that we meanwhile go ahead to carry out the other recommendations in NSC 97/3.

The President agreed with Mr. Flemming's proposal.

Secretary Anderson then explained his anxiety as to the serious effect on the American oil industry of large imports of oil from the Eastern Hemisphere. He believed that this would obviously cut back our domestic well-drilling and exploration programs. It would deprive many States of large incomes which they received from oil enterprises within their boundaries, and might well cause the local authorities to come to the Federal Government for support. He thought that this problem should be kept under constant scrutiny so as not to injure seriously the domestic American oil industry.

The President directed the Secretary of the Interior to keep this problem under review, and also answered affirmatively Secretary Weeks' query as to whether the Department of Commerce should start talking with the owners of tankers.

Secretary Wilson suggested that Secretary Weeks should begin to negotiate for purchase by the Government of 50 vessels of the existing tanker fleet.

The President further suggested that we should commence to study the problem of securing appropriations for the purchase of such vessels.

Mr. Finley urged immediate approval of recommendation 8–*a*, pointing out that funds were available for a start on the effort to obtain expansion by private industry of aviation alkylate capacity.

Secretary Humphrey, however, recommended that before final action were taken on this and other recommendations in NSC 97/3, the whole problem be submitted to certain of the Consultants who had earlier advised the Council on other problems.

The President thought that Messrs. Black, Holman and Thomas would have views on this problem which would prove useful to the Council, and accordingly agreed with Secretary Humphrey's suggestion. Meanwhile, added the President, Mr. Flemming should make himself responsible for following the problem in the light of the Council discussion.

Mr. Flemming agreed to coordinate the implementation of NSC 97/3 with Secretaries Wilson and Weeks, and to provide the Council with a progress report on what had been accomplished in two or three weeks' time.

The National Security Council:

a. Discussed the reference report on the subject in the light of an oral briefing by Mr. Robert L. Finley of the Office of Defense Mobilization.

b. Adopted the statement of policy contained in NSC 97/3, with the exception of paragraph 8 which was adopted in principle on the understanding that the Director of Defense Mobilization will:

> (1) Coordinate the implementation of subparagraphs 8–*a* and –*b* in the light of a review of the military requirements by the Secretary of Defense.
>
> (2) Coordinate the implementation of subparagraph 8-*c* in the light of discussions by the Secretary of Commerce with representatives of the tanker and shipbuilding industries.
>
> (3) Submit to the National Security Council a progress report, with particular reference to (1) and (2) above, not later than July 1, 1953.[3]

c. Agreed that the Secretary of the Interior, in coordination with the Director of Defense Mobilization, should maintain continuous scrutiny of imports of petroleum products with a view to encouraging importing oil companies to exercise industrial statesmanship, in the interest of national security, by voluntarily keeping imports from the Eastern Hemisphere to a level which will not discourage necessary domestic oil exploration.

d. Suggested that NSC 97/3 be referred for comment to Civilian Consultants to be selected by the President.

Note: The action in b above, as approved by the President, subsequently transmitted to the Director of Defense Mobilization for implementation in coordination with the Secretaries of Defense and Commerce. The action in *c* above subsequently transmitted to the Secretary of the Interior for implementation.

[Here follows discussion concerning armaments and United States policy and the NSC status of projects.]

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[3] The progress report under reference, dated June 30, 1953, is not printed. It formed part of NSC 97/4, dated July 7, 1953, and was the basis of the Planning Board recommendations which constituted the policy statement portion of NSC 97/4; see p. 991.

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 148th Meeting of the National Security Council on Thursday, June 4, 1953[1]

TOP SECRET EYES ONLY

The following were present at the 148th meeting of the Council: The President of the United States, presiding; the Vice President of the United States; the Secretary of State; the Deputy Secretary of Defense; the Director for Mutual Security. Also present were the Secretary of the Treasury; the Attorney General (for Items 2 and 3); the Director of Defense Mobilization; the Director, Bureau of the Budget; the Acting Chairman, Atomic Energy Commission (for Item 2); the Acting Secretary of Commerce (for Items 4 and 5); the Secretary of the Army (for Item 2); the Secretary of the Navy (for Item 2); H. Lee White for the Secretary of the Air Force (for Item 2); Lt. Gen. Idwal H. Edwards, Chairman, Special Evaluation Subcommittee of the NSC (for Item 2); Walter S. Delany, Office of the Director for Mutual Security (for Item 4); Kenneth R. Hansen, Office of the Director for Mutual Security (for Item 4); General Collins for the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; the Deputy Director of Central Intelligence (for Item 2); Lt. Gen. Harold R. Bull, Central Intelligence Agency (for Item 2); Robert Cutler, Special Assistant to the President; Lewis L. Strauss, Special Assistant to the President; C. D. Jackson, Special Assistant to the President; the NSC Representative on Internal Security (for Item 2); Marshall Chadwell, Central Intelligence Agency (for Item 2); Herbert Miller, Central Intelligence Agency (for Item 2); Herbert Blackman, Department of Commerce (for Items 4 and 5); the Military Liaison Officer; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

[Here follows discussion of the military situation in Korea, Soviet atomic energy capabilities, the Soviet capability to inflict direct injury on the United States up to July 1, 1955, and United States policy toward Latin America.]

4. Review of Economic Defense Policy (NSC 152;[2] NSC 104/2)

Mr. Cutler introduced NSC 152, pointing out that this was an example of a new way in which the Planning Board might submit alternative policies for Council choice, after which the Planning Board would prepare a definitive policy statement covering the alternative chosen.

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[1] This memorandum of discussion was prepared on June 5 by Deputy Executive Secretary of the NSC Gleason.

[2] Dated May 25, 1953, p. 968.

Mr. Stassen circulated and read a brief summary of the four alternatives presented. He stated that this was basically a question of how to deal with our friends, since the Soviets were obviously using east-west trade as a means of dividing us from our allies. He pointed out that the choices of policy with regard to Communist China were directly related to the armistice in Korea. If the Council adopted Alternative 4, we would be moving along with our friends on the basis of the net advantage from east-west trade. If we adopted Alternative 3 we will be moving with the attitude expressed by various members of Congress. In this connection Mr. Stassen pointed out that any policy adopted involves the possibility of Congressional action along these lines.

At Mr. Stassen's request, Mr. Hansen summarized the present policy. He noted that negotiations with our allies in this field are limited to consideration of the military application of various strategic items. There is now no forum for working out a planned trading pattern with our allies, although specific trade agreements are usually discussed in COCOM before being signed. He also said that the area of least progress is in the enforcement of agreed controls, especially over transit shipments.

Mr. Stassen said that Alternative 4 could be adopted without new legislation, but it would involve a vigorous fight against crippling amendments by members of Congress.

The President asked which side had lost most on our discontinuance of all China trade, in view of the fact that we were receiving stockpile items.

Mr. Hansen answered that we gain the most because our stockpile goals in those items have been largely attained.

The President repeated his view that the real basis for policy should be who gets the best of the trade. He said that this is the way we do it in war—we don't send men to get killed unless we feel that we will come out ahead on the operation.

Secretary Dulles thought that our policy toward China and Europe were two different things. On China, he believed we should keep our economic embargo, since it appeared to be causing the Communist Chinese economic suffering and might be one reason why they wanted an armistice. On the other hand, if we get an armistice, Secretary Dulles said "all hell will break loose." We must, therefore, keep some pressure on for the political negotiations. We have very few such pressures, and holding back trade would be one we could exert. This, however, will be very difficult to get our allies to go along with.

In answer to the President's question as to why our allies want to trade with Communist China, Secretary Dulles said that they get paid for the trade in sorely needed dollars and food.

With respect to the European satellites, Secretary Dulles noted that we have kept our allies' trade under control by the threat of cutting off aid. However, since we are cutting down on that aid, this will make it more difficult to keep control on such trade, and we will have lost a means of pressure on our allies. Therefore, Secretary Dulles thought that, as we cut down on our aid, we should let our allies have greater freedom to trade with the satellites, while still keeping out top strategic items.

In answer to Secretary Kyes, Mr. Stassen said that we are getting most of our manganese now from India.

The President said this was one good reason why we must keep on helping India.

Secretary Humphrey expressed his firm conviction that we have got to have some east-west trade, since it is impossible to stop it.

Mr. Stassen recommended that the Council adopt Alternative 4 except for holding tight on China. In fact, if we do not get an armistice in Korea, we may even want to tighten the embargo or initiate a blockade. He cited the difference, in France and other countries, between agreed governmental policy and the actual application of controls in the field, particularly by private firms.

Secretary Williams said that Commerce was prepared to go along with Mr. Stassen's recommendation, but questioned the timing of such a modification of policy in view of the Korean negotiations and the impending Bermuda Conference. He thought such a modification might be interpreted as a weakening of our policy, and might therefore be postponed.

Mr. Cutler explained that, after the Council adopted Alternative 4, it would take the Planning Board at least a month to submit firm policy recommendations.

Secretary Dulles expressed his desire to get the maximum diplomatic benefit from any change in policy.

Secretary Kyes said that his staff had wanted Alternative 1, but that he thought Alternative 4 made more sense.

The National Security Council:

a. Discussed the alternative policies on the subject in the light of the reference report (NSC 152).

b. Directed the NSC Planning Board to study and prepare recommendations, including timing, for Council consideration along the following lines of policy:

(1) Maintain present policy regarding Communist China and Korea.

(2) Move toward Alternative 4 in NSC 152 regarding other Soviet bloc countries.

[Here follows discussion of the sale of strategic arms abroad, the position of the United States with respect to the Communist threat to Italy, the Greek offer of additional troops for Korea, and the NSC status of projects.]

S/S-NSC files, lot 63 D 351, NSC 97 Series

Paper Prepared by the Planning Board of the National Security Council [1]

TOP SECRET
NSC 97/4

WASHINGTON, July 7, 1953.

A NATIONAL PETROLEUM PROGRAM

PLANNING BOARD RECOMMENDATIONS WITH RESPECT TO NSC 97/3

I. Based on Recommendations in ODM Progress Report on NSC 97/3, dated June 30, 1953, which took into account Comments by Civilian Consultants on NSC 97/3

1. *Para. 8–a. Expansion of Alkylate Capacity.*

Confirm the course of action for the acceleration of efforts to obtain expansion by private industry by December 1, 1954, of 30,000 B/D aviation alkylate capacity.

2. *Para. 8–b. Stockpiling of a Mobilization Reserve of Aviation Gasoline.*

a. Confirm the course of action set out in para. 8-*b* for the stockpile of a sufficient mobilization reserve of aviation gasoline to meet wartime deficits from D-Day to the date when production will meet demand.

b. Note that the Department of Defense contemplates purchasing in FY 1954, for the account of the stockpile program, a minimum of 4 million barrels of aviation gasoline.

c. Pending a report by the Secretary of Defense, not later than September 1, 1953, on military requirements and supply, defer determination of the need for further stockpile purchases of aviation gasoline, including the question of treating peacetime safety and operating stocks, and stocks in transit, as part of the stockpile.

3. *Para. 8–c. Creation of a Tanker Reserve of 175 T–2 Equivalents.*

a. Approve, as a general objective, the provision of a mobilization reserve of 175 T–2 equivalent laid-up tankers in order to meet initial wartime deficits and to create a tanker shipbuilding base capable of expansion to meet wartime needs, with the understanding that the quantitative limits of such objective shall again be reviewed not later than December 31, 1953, and annually thereafter, and that the implementation of specific programs in aid of such objective, except as hereinbelow provided in subparagraph *b*, shall be subject to the further consideration and action by the Council.

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[1] In addition to the recommendations printed here, NSC 97/4 consists of a cover sheet; a memorandum by Gleason indicating that the report had been prepared pursuant to the NSC directives at the May 27 meeting (see p. 981) and was intended to supersede paragraph 8 of NSC 97/3, p. 965, if adopted; a table of contents; a financial appendix; and the Progress Report, June 30, 1953, described in footnote 3, p. 987.

b. Approve the immediate implementation, including the submission to Congress of a request for necessary authority and funds, of a trade-in and build program to result in the construction in the United States of about 20 new tankers (not exceeding 40 T–2 equivalents) capable of a sustained sea speed, loaded, of approximately 18 knots.*

c. Direct immediate study, in consultation with industry, of the feasibility and cost of a program for the lay-up of tankers (57 in number) now owned by the government and operated by MSTS and the construction by private industry of new tankers equal in T–2 equivalents to the ships laid up and capable of a sustained sea speed, loaded, of not less than 18 knots, in return for a long-term MSTS charter party.*

d. Direct the immediate further review, in consultation with industry, of the feasibility and cost of implementing with oil companies or independent tanker operators, a trade-in and build program to supplement the program provided for in subparagraph *a*, with a specification for a sustained sea speed, loaded, of approximately 18 knots.*

e. Direct the immediate review of loss factors, and mobilization requirements, for tankers, in the light of projected sustained sea speeds, loaded, in excess of 16 knots.

4. *Para. 8–d. Methods of Producing Liquid Fuels.*

Approve the course of action for continued research in, and development of, methods of producing liquid fuels from non-conventional sources; specifically, the continuation of the applicable Bureau of Mines program.

5. *Para. 8–e. Elk Hills Pipeline Hook-up.*

Approve the course of action for the expansion of an existing privately-owned pipeline to the Los Angeles area in order to insure that the potential production of the Elk Hills Naval Reserve will be available in the event of war.

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*The Director of the Office of Defense Mobilization proposes, on the basis of present information, while awaiting confirmation from the Acting Secretary of Defense, that in paras. 3–*b*, *c* and *d* the tanker speed should be "18.5 knots" rather than "approximately 18 knots" or "not less than 18 knots". [Footnote in the source text.]

6. *Para. 8-f. Imports from Western Hemisphere.*[2]

Approve the course of action to resist further restrictions on imports of petroleum and natural gas *from the Western Hemisphere* in order to assure maximum development and wartime availability of Western Hemisphere resources, with the understanding that the Secretary of the Interior in coordination with the Secretary of State and the Director of the Office of Defense Mobilization, will give continued scrutiny to the volume of Western Hemisphere imports, with particular relation to any significant adverse effect on the development of domestic resources.

II. Based on Comments on NSC 97/3 by Civilian Consultants (Excluding Comments taken into account above)

7. *Para. 7. Development of Resources in Conjunction with Allies.*

Explore further with our Allies ways and means of developing, particularly in the Western Hemisphere, increased petroleum resources for wartime use, with special reference to the dispersal of available resources and facilities within the Western Hemisphere.

8. *Para. 8-a. Review of Aviation Gasoline Requirements.*

Review annually the requirements for aviation gasoline (and related needs for alkylate capacity) with special reference (a) to the effect on such requirements of the increasing use of jet aircraft and the eventual decline in military use of the reciprocating engine, and (b) the possible greater use for non-combat tasks of lower octane fuels, where such substitution will not involve loss of efficiency.

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[2] A handwritten notation in the margin next to this paragraph indicates that the Department of State desired changes in the text of the paragraph. The Department of State version of paragraph 6 reads as follows:

"Approve the course of action to resist further restrictions on imports of petroleum and natural gas *from the Western Hemisphere* in order to assure maximum development and wartime availability of Western Hemisphere resources, with the understanding that the Secretary of the Interior in coordination with the Secretary of State, Secretary of Defense, the Attorney General and the Director of the Office of Defense Mobilization, will give continued scrutiny to the volume of imports, with particular relation to any significant adverse effect on the development of domestic resources and on U.S. foreign policy objectives with respect to the producing countries concerned."

Editorial Note

At the Washington Tripartite Foreign Ministers Meeting of July 10–14, 1953, Secretary Dulles, British Acting Foreign Secretary Salisbury, and French Foreign Minister Bidault agreed that, in the event of an armistice in Korea, the trade embargo against the People's Republic of China would be continued. For documentation concerning this agreement, see volume XIV. Concerning the Korean armistice, which was signed on July 27, 1953, see volume XV. The major portion of documentation on the Washington Tripartite Foreign Ministers Meeting, is printed in volume V, Part 2, pages 1582 ff.

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 154th Meeting of the National Security Council on Tuesday, July 14, 1953[1]

TOP SECRET EYES ONLY

Present at this meeting of the Council were: The President of the United States, Presiding; the Vice President of the United States; the Under Secretary of State; the Secretary of Defense; the Director for Mutual Security; the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Acting Secretary of the Interior (for Item 3); the Secretary of Commerce (for Item 3); the Deputy Secretary of Defense; the Director, Bureau of the Budget; the Secretary of the Army; the Secretary of the Navy; the Secretary of the Air Force; the Chairman, Joint Chiefs of Staff; Admiral Radford; General Ridgway; Admiral Carney; General Twining. The following were present for Item 3 only: W.G. Donley, Petroleum Administration for Defense; Robert B. Murray, Jr., Department of Commerce; Louis S. Rothschild, Maritime Administrator; Commander J. J. Mooney, Maritime Administration; Captain Weakley, USN; Robert L. Finley, Office of Defense Mobilization. Present also were the Director of Central Intelligence; Robert Cutler, Special Assistant to the President; Lewis L. Strauss, Special Assistant to the President; C. D. Jackson, Special Assistant to the President; Colonel Paul T. Carroll, Acting White House Staff Secretary; James S. Lay, Jr., Executive Secretary, NSC; and S. Everett Gleason, Deputy Executive Secretary, NSC.

There follows a summary of the discussion at the meeting and the chief points taken.

[Here follows discussion of the situation in Korea and of budgetary considerations for FY 1955.]

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[1] This memorandum of discussion was prepared on July 15 by Deputy Executive Secretary of the National Security Council Gleason.

3. A National Petroleum Program (NSC 97/3 and NSC 97/4; NSC Action No. 798)[2]

Mr. Cutler outlined the background of the present report and noted that the Council was being asked to act only on paragraph 3-*b* of NSC 97/4, which would enable a start to be made on the tanker program. Haste was required in order to get Congressional action to provide funds before adjournment of the present session. Mr. Cutler further pointed out the difficulties which the Planning Board had encountered with respect to recommending the speed of the new tankers which it was proposed should be built.

Secretary Wilson stated that the recommendation of the Department of Defense was that the speed of these new tankers should be "between 18 and 19 knots".

Mr. Flemming inquired the effect on the program if the Council accepted a figure as high as this. Could the companies be expected to build vessels capable of such high rate of speed when this rate was unnecessary for ordinary peaceful commercial enterprise?

Secretary Weeks warned that time was of the essence, and indicated his belief that no recommendation as to the speed of these vessels should be inserted. He felt that that issue could safely be left to negotiation between the Department of Commerce and the major companies. He felt that the negotiations would be likely to eventuate in a speed factor which would be substantially what the Council desired.

Mr. Cutler, however, pointed out that the Planning Board had concluded that some guidance with respect to the speed of these vessels was requisite, and had accordingly adopted the present formula in NSC 97/4 of "approximately 18 knots". This was more flexible than Secretary Wilson's suggestion.

Secretary Wilson replied that he was quite sure that some of the companies would be willing to build vessels capable of the speed of 18 knots, which was in any case the lowest figure to which the Defense Department was willing to go.

Mr. Flemming observed that the Consultants had challenged us on this issue of speed of the tankers, and he felt that the matter should be given most serious attention. Whatever the figure was, we must all agree on it.

In view of the unwillingness of Secretary Wilson to go below the 18-knot limit, Mr. Stassen suggested changing the phrase in paragraph 3-*b* of NSC 97/4 to read "not less than 18 knots". This proposal was accepted generally, although Secretary Weeks was not certain that the companies could be induced to build vessels of that speed.

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[2] NSC 97/3, May 20, p. 963; NSC 97/4, July 7, p. 991. NSC Action No. 798 was the directive issued by the NSC at its meeting of May 27; see the memorandum of discussion, p. 981.

It was pointed out to Secretary Weeks that this figure would not have to be inserted in the legislation which would be sought in Congress.

Secretary Humphrey then said he had a question to address to the Secretary of Defense. There were, he said, lots of good things that we would all like to do in the interests of national security. We could not, however, do all of them. What we do must therefore be decided on the basis of something else that we eliminate as a lesser good. In brief, would the Navy rather have this tanker program than some other part of the total Navy program?

In reply, Secretary Wilson pointed out that the sum involved was comparatively small, the objective to be achieved of very great importance, and that we therefore should go ahead and approve it.

To this Secretary Humphrey replied that he was by no means questioning the soundness of the tanker program, but merely inquiring where you save on some other program to compensate for this.

Mr. Dodge observed that it would be necessary to go to the Congress for legislation and new money—a supplemental appropriation—in order to implement this program. Would it not be possible to avoid all this by having the Navy absorb the proposed tanker program and cut out something else?

Secretary Humphrey stated that that was precisely what he meant, but Secretary Anderson informed the Council that no Navy money was involved in this program, but rather funds of the Maritime Administration.

That might well be so, answered Secretary Humphrey, but the tanker program was being undertaken purely in the interests of national defense.

Mr. Cutler pointed out that the program was also being developed with the objective of keeping our shipbuilding yards in operation as part of the mobilization base in the event of war.

Secretary Wilson announced his strong conviction as to the desirability of the program, and warned that we have far too few reserves in this very important area. He was therefore in favor of adopting the program and shuffling our money around later.

Secretary Humphrey replied that if Secretary Wilson decided that he wanted this program more than some other program which he would be willing to forgo, he, as Secretary of the Treasury, hadn't another word to say. But, he warned, we are facing a new era in regard to Government expenditure. This era could be characterized by the phrase "if you buy something, you don't buy something else."

Secretary Weeks suggested the possibility that the Office of Defense Mobilization might have funds available with which to help pay for the tanker program, but Mr. Flemming pointed out that the only ODM funds which could be devoted to such a program would have to come from the revolving fund, and it was a question as to whether such a use of this fund was appropriate. It would certainly be necessary to seek Congressional approval before this fund was drawn upon for the tanker program.

After further discussion of the problem of legislation and of the question as to whether certain of these vessels could be built more cheaply in foreign shipyards, Secretary Wilson again expressed his strong belief in the wisdom of approving the tanker program.

To this Secretary Anderson added that such a program was "absolutely vital" in the event of war.

The National Security Council:

Adopted the recommendation contained in paragraph 3-*b* on page 2 of NSC 97/4, subject to the substitution in the 6th and 7th lines thereof of "not less than 18 knots" for "approximately 18 knots".

Note: Paragraph 3-*b* of NSC 97/4, as amended, subsequently transmitted to the Secretary of Commerce and the Director, Office of Defense Mobilization, for implementation.

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 156th Meeting of the National Security Council on Thursday, July 23, 1953 [1]

TOP SECRET EYES ONLY

Present at the 156th Meeting of the Council were the President of the United States, presiding; the Vice President of the United States; the Secretary of State; the Deputy Secretary of Defense; the Director for Mutual Security; and the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Secretary of the Interior (for Item 1); the Secretary of Commerce (for Item 1); the Secretary of the Navy (for Item 1); the Director, Bureau of the Budget; the United States Representative to the United Nations (for Item 5); the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; Mr. Cutler, Special Assistant to the President; Mr. Jackson, Special Assistant to the President; Col. Carroll, Acting White House Staff Secretary; the Executive Secretary, NSC; and the Coordinator, NSC Planning Board Assistants. Also present, for Item 1 only, were: J. A. LaFortune, Petroleum Administration for Defense; W. G. Donley, Petroleum Administration for Defense; Robert B. Murray, Jr., Department of Commerce; Louis S. Rothschild, Maritime Administrator; Commander J. J. Mooney, Maritime Administration; Robert L. Finley, Office of Defense Mobilization.

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[1] This memorandum of discussion was prepared on July 24 by the Coordinator of the NSC Planning Board Assistants, Marion W. Boggs.

There follows a summary of the discussion at the meeting and the main points taken.

1. A National Petroleum Program (NSC 97/4; NSC Actions Nos. 852[2] and 798–c)

In introducing NSC 97/4 to the Council, Mr. Cutler recalled that at its 146th meeting the Council had adopted NSC 97/3 with the exception of paragraph 8 thereof, which was adopted in principle on the understanding that certain interim actions to be taken thereunder would form the subject of a progress report to the Council by the Director of Defense Mobilization not later than July 1, 1953. The recommendations in NSC 97/4 were prepared by the NSC Planning Board after consideration of the other material contained in NSC 97/4. Mr. Cutler then read the Planning Board recommendations.

With reference to paragraph 2–*c*, Secretary Kyes proposed that the phrase "including the question of treating peacetime safety and operating stocks, and stocks in transit, as part of the stockpile.", be deleted. He regarded this question as an internal one for solution within the Department of Defense.

Mr. Flemming felt that the question was an important one, the implications of which were not confined solely to internal administration in the Department of Defense. He judged, from the comments of the Petroleum Administration for Defense and the Joint Chiefs of Staff, that a basic issue was involved, and he would prefer to see the question remain open until the Defense report was presented on September 1.

Secretary Humphrey wished to relate this question to the problem of Federal expenditures. If additional aviation gasoline were purchased as a result of not counting stocks in the pipeline as part of the stockpile, then some other expenditure would have to be eliminated. It was not a question of all the things we would like to have, but of what we wanted most.

Secretary Kyes said he had an open mind on the question. He felt Defense should have an opportunity to ascertain the facts and resolve the problem in collaboration with Mr. Flemming on a factual basis.

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[2] NSC Action No. 852 was the directive issued by the NSC at its meeting of July 14, 1953; see the memorandum of discussion, *supra*.

The President said it was certainly necessary to get a clear picture of the problem.

Mr. Flemming was agreeable to resolving the question with Secretary Kyes. However, he noted the JCS view that working inventories should be excluded from computation of reserve stocks.

General Bradley confirmed the fact that the estimates of military requirements for the first six months of war, made by the logistics experts, were based on the assumption that aviation gasoline in the pipeline would not be counted as part of the stockpile.

In reply to a question by Mr. Stassen, Secretary Kyes said the speed at which aviation gasoline was transported also entered into the question.

With reference to paragraph 3-*b,* Secretary Weeks reported that the Department of Commerce had submitted to Congress a bill which would be reported out today by the Senate committee and on which hearings would also be held by the House committee today. The bill would probably be passed, even though it was not considered "must" legislation by the Administration. The bill provided for $56 million to $60 million from appropriations or funds otherwise made available for construction of the twenty new tankers. Secretary Weeks noted that it was still necessary to decide where the money was coming from.

Secretary Kyes said that the testimony in Congress had implied that Defense should furnish the money.

Secretary Weeks said that this suggestion did not emanate from Commerce, which had in fact suggested that the money not come from Defense funds.

Secretary Kyes noted that tankers had been eliminated from the regular Defense budget; consequently, no Defense funds were available for the purpose, and he would be in an awkward position if asked to provide such funds.

Mr. Dodge felt the question of financing should be explored. Either a supplementary appropriation or a transfer of funds would be necessary. It would not be difficult to obtain authorizing legislation for the tankers, but Congress did not look with favor on supplementary appropriations requests.

Secretary Humphrey then recalled that within five months the Administration planned to review the budget with a view to making a 25% reduction. However, such a reduction would be impossible unless the purchase of additional items, such as new tankers, could be balanced by corresponding reductions elsewhere in the budget.

Secretary Kyes felt that Defense had already prepared a very "tight" budget. He noted, however, that the Defense budget now included many expenditures which were not strictly for Defense purposes. He felt the "barnacles"—that is, waste—should be eliminated from the Defense budget, and also that the Defense budget should include only Defense items, so that people would be able to tell what money is being spent for. Secretary Humphrey and Mr. Dodge agreed.

Secretary Humphrey also noted that while the Council, at its July 14 meeting, had made no decision on the source of funds for tankers, it was understood that the Navy would decide what to give up in order to get tankers.

Secretary Kyes said the Secretary of the Navy took the position that he could give up nothing.

The President felt that the underlying problem was being dodged. We must insist on obtaining what the United States has to have for security and for building up its world position and its strength at home. Tax reduction is not our main objective. We must provide the United States with minimum security and a sound economy, and then attempt to reduce taxes. We should decide on our basic objectives and then, if we should need more taxes, we should gulp and ask for them. Many of our problems would prove insoluble until our basic objectives were determined. The President added, with particular reference to tankers, that if we let the shipyards go to hell in a handbasket we will have unemployment, which will reduce the amount of taxes collected.

Secretary Humphrey did not fully agree with this view. He agreed we must have a reasonable posture of defense, but felt that we must stop spending so much money.

The President said that it was impossible to stop spending overnight. We must have military strength and a sound economy to back it up. If we should allow the economy to deteriorate, this would undermine our defense posture.

Mr. Dodge wondered whether funds for tankers could not be provided from the ODM revolving fund if neither the Department of Defense nor the Navy could furnish the funds.

Mr. Flemming said that at the previous Council discussion on tankers everyone had had a sense of urgency and had arrived at the conclusion that this program was important in the total mobilization picture. He was willing to explore the matter to determine the sources from which funds for tankers might be derived.

The President then referred to tanker speed, and asked whether this had any relation to the problem of aviation gasoline stockpile.

Secretary Kyes said that if we had fast tankers for fleet use, petroleum products would be tied up in transportation for shorter periods of time. He felt that the construction of fast fleet tankers might be the most desirable way to use whatever funds were made available. We might be building four-room houses when we need seven-room houses.

The President said it was his feeling that it was necessary to have these tankers. If it was desired to purchase them from Defense funds we could avoid any embarrassment to Defense by saying that we had studied the question more thoroughly since tankers had been eliminated from the Defense budget. He agreed with Defense on the necessity for fast tankers, but said that commercial operators found it unprofitable to run the fast ones.

Secretary Weeks confirmed this, and, in addition, said that fast tankers cost more to build.

Secretary Humphrey felt that the operators could be persuaded to run at low speed ships capable of high speed, at little additional cost.

The President also wondered why we could not have reserve speed in ships without using it. He added that we could start a tanker program as recommended in NSC 97/4 without necessarily carrying it to its full conclusion.

Mr. Flemming suggested that the Departments of the Treasury, Defense and Commerce, the Office of Defense Mobilization, and the Bureau of the Budget could work out a method of financing for the tankers.

The President said that the language of the authorizing legislation, as well as the presentation of the case to Congressional commitees, should permit whatever method of financing was adopted. He wanted to be sure that Congress understood the situation in detail.

With reference to paragraph 3–*c* of NSC 97/4, Secretary Weeks noted that the Military Sea Transport Service (MSTS) was operating 57 tankers which could be put in reserve and replaced in operation by new tankers. The cost to the Government would be amortization over the period of the charter.

The President said he liked the charter deal. He added that we have adopted the philosophy that we can't tell when D-day will occur. Therefore, we must build to a respectable long-term defense posture. Instead of trying to do everything quickly, it would be better to take a long sustained program and stand behind it.

Secretary Humphrey wondered whether the question of speed should not receive further study before the figure of 18 knots, was established.

Secretary Kyes said he was not happy with 18 knots, but the President said perhaps we could attain greater speed in the new tankers by paying a premium for each extra knot. He would not mind paying a subsidy in order to get faster ships. He felt the language in NSC 97/4 was all right, but in implementing the paper greater speed should be sought.

Secretary Humphrey said the extra cost of faster ships was not great, and it might be possible to obtain tankers with a speed of 18 to 20 knots.

The Vice President then noted that the adjournment rush in Congress provided a favorable opportunity for obtaining authorization to go ahead with the tanker program.

The President said we should seek Congressional authority for the program even though we did not ask for money now, as long as we made it clear to Congress that the funds might come from any source, for instance, from ODM or even CIA.

With reference to paragraph 4 of NSC 97/4 and the item in the Financial Appendix for "Liquid Fuels from Non-Conventional Sources", Secretary McKay said that the estimated expenditure for FY 1954 should be changed from $8 million to $4.5 million. This reduction was possible because efforts to obtain gasoline from coal had now been discontinued. It had been found that shale was the best source of synthetic liquid fuels, and work on extracting such fuels from shale would continue.

Mr. Cutler read to the Council the change in paragraph 6 proposed by the Secretary of State.

The President agreed with the proposed change. He felt that the Government should scrutinize imports instead of asking the petroleum companies to do it.

The President then addressed a question to the experts: As we build more jet airplanes will we use more or less crude oil for the same amount of flying?

Secretary Kyes said that if we converted to jets, the drainage on our petroleum reserves would be greater. One jet airplane now being developed, for example, consumes 16 times as much fuel per hour as a propeller plane.

Secretary Humphrey felt that while jet fuel consumption might be greater per hour, the jet would go more miles in an hour. Secretary Kyes agreed that the answer is complex.

The President then concluded that converting to jet airplanes, and consequently exhausting our petroleum reserves more rapidly, causes us to become more and more interested in the Middle East.

The National Security Council:

a. Adopted the recommendations by the NSC Planning Board contained in NSC 97/4 (with the exception of paragraph 3–*b*, previously covered by NSC Action No. 852), subject to the following amendments:

Paragraph 2–c: Delete "including the question of treating peacetime safety and operating stocks, and stocks in transit, as part of the stockpile."

Paragraph 3–d: Change "of approximately 18 knots" to read "of not less than 18 knots".

Paragraph 6: Revise to read as follows, which would then supersede NSC Action No. 798–c:

"6. *Para. 8–f. Oil Imports.*

"Approve the course of action to resist further restrictions on imports of petroleum and natural gas *from the Western Hemisphere* in order to assure maximum development and wartime availability of Western Hemisphere resources, with the understanding that the Secretary of the Interior, in coordination with the Secretary of State, the Attorney General, and the Director of the Office of Defense Mobilization, will give continued scrutiny to the volume of oil imports from all sources, with particular relation to any significant adverse effect on the development of domestic resources."

b. Noted the statement by the Deputy Secretary of Defense that, unless the Department of the Navy can find a method of financing paragraph 5 of NSC 97/4 during FY 1954 within its currently approved budgetary limits, this course of action will have to be postponed until FY 1955.

c. Noted that the estimated expenditure for FY 1954, shown in the Financial Appendix for "Liquid fuels from non-conventional sources", should be changed from $8 million to $4.5 million.

d. Noted an oral report by the Secretary of Commerce on the status of the authorizing legislation to carry out NSC Action No. 852, and agreed that the question of financing this program should be worked out jointly by the Departments of the Treasury, Defense and Commerce, the Office of Defense Mobilization, and the Bureau of the Budget, and that the language of the authorizing legislation, together with the legislative history, must clearly permit whatever method of financing may be adopted.

Note: The above actions, as approved by the President, subsequently reproduced as NSC 97/5 [3] and transmitted to the Director, Office of Defense Mobilization, to coordinate their implementation.

[Here follows discussion of continental defense, significant world developments affecting United States security, the situation in Korea, additional United Nations forces for Korea, savings in defense expenditures in the event of a Korean armistice, the strengthening of the Korean economy, the transfer to the Chinese National government of light United States naval ships, Project Solarium, and the National Security Council status of projects.]

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[3] NSC 97/5, consisting of the revision of NSC 97/3, plus the revisions stipulated in NSC 97/4 and the pertinent memoranda of NSC discussion, was approved by the President on July 24, 1953. (S/S–NSC files, lot 63 D 351, NSC 97 Series)

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 157th Meeting of the National Security Council on Thursday, July 30, 1953[1]

TOP SECRET EYES ONLY

The following were present at the 157th meeting of the National Security Council: The President of the United States, presiding (except for the first part of Item 1, which was presided over by the Vice President); the Vice President of the United States; the Secretary of State; the Secretary of Defense; the Director for Mutual Security; the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Attorney General; the Secretary of Commerce (for Item 1); the Assistant Secretary of Commerce (for Item 1); the Director, Bureau of the Budget; the Chairman, Atomic Energy Commission (for Item 5); the Federal Civil Defense Administrator (for Item 5); Robert R. Bowie, Department of State (for Item 5); Walter S. Delany, Office of the Director for Mutual Security (for Item 1); Kenneth R. Hansen, Economic Defense Advisory Committee (for Item 1); the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; Robert Cutler, Special Assistant to the President; C. D. Jackson, Special Assistant to the President; Col. Paul T. Carroll, Acting White House Staff Secretary; the Executive Secretary, NSC; Marion W. Boggs, Coordinator, NSC Planning Board Assistants.

There follows a summary of the discussion at the meeting and the chief points taken.

1. *Economic Defense* (NSC 152 and NSC 152/1;[2] NSC Action No. 806[3])

In introducing NSC 152/1 to the Council, Mr. Cutler recalled that at its 137th meeting the Council had noted a Progress Report on NSC 104/2,[4] and had directed that this report be reviewed and recommendations prepared for Council consideration. Accordingly, the NSC Planning Board had prepared NSC 152, which stated four alternative lines of policy. On June 4 the Council had decided to proceed in the direction of Alternative 4. The courses of action in NSC 152/1 were designed to carry out this decision. Mr. Cutler noted that about 100 pages of existing policy had been compressed into a dozen pages in NSC 152/1, so that the paper would probably seem very general to anyone reading it for the first time, but the Economic Defense Advisory Committee, which had participated with the Planning Board in the preparation of the report, felt that its meaning was quite clear to those who would have to implement it.

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[1] This memorandum of discussion was prepared on July 31 by Boggs.

[2] NSC 152/1, dated July 22, 1953, is not printed. Except for the changes specified in this memorandum of discussion, it was textually the same as NSC 152/2, *infra*.

[3] NSC Action No. 806 consists of the directives issued by the NSC at its meeting of June 4, 1953; for the memorandum of discussion at that meeting, see p. 988.

[4] For the progress report under reference, dated Jan. 19, 1953, see p. 913.

Mr. Cutler then said that since the Korean armistice had been signed, it would be necessary to delete paragraph 19–*a* of NSC 152/1, and to amend paragraphs 8 and 15 slightly. He called the attention of the Council to alternative language proposed by the Department of Defense for paragraphs 6, 18–*a*, 20 and 24. He also called attention to the Note by the Executive Secretary, which proposed that NSC 91/1,[5] NSC 104/2 and NSC 122/1[6] would be superseded by adoption of the present report.

Secretary Wilson said that his advisers in the Department of Defense felt that NSC 122/1 should not be superseded at this time.

Mr. Cutler then read a letter from the Secretary of Commerce which indicated that the Department of Commerce would be able to carry out its export license functions with respect to Hong Kong and Macao under NSC 152/1 if it were adopted and NSC 122/1 superseded. Should it be decided to supersede NSC 122/1, Commerce would be prepared to recommend any necessary revisions in export procedures with respect to Hong Kong and Macao.

Secretary Wilson said he believed that the Hong Kong–Macao problem was a separate one.

Mr. Cutler suggested that it might be desirable to consider the policy in NSC 152/1 first, and then decide whether existing reports should be superseded.

Mr. Stassen called on Admiral Delany to comment on NSC 152/1 with particular reference to the alternative language proposed by the Department of Defense.

Admiral Delany said that EDAC felt that precise and concise wording was needed in the new policy. He therefore preferred to say that we should control exports which "clearly" contribute significantly to the war potential of the Soviet bloc, rather than the less precise language proposed by Defense, namely, "exports which may reasonably be shown to contribute significantly to the Soviet war potential."

The Vice President asked what the real difference was between these two ways of phrasing the problem.

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[5] NSC 91/1, in *Foreign Relations*, 1950, vol. IV, p. 227.

[6] For the text of NSC 122/1, see volume XIV.

Admiral Delany said that for example, television transmitters did not clearly contribute to Soviet war potential, but by a roundabout chain of reasoning it might be reasonably shown that they did so contribute.

(At this point the President entered the meeting and took the chair.)

Secretary Wilson thought machine tools would be a better example. Under the language proposed by EDAC any agency objecting to a shipment of machine tools to the Soviet bloc would have to prove clearly that they were to be used militarily before the shipment could be stopped. In practice this would be very difficult, since most such tools were interchangeable as between military and commercial use and, moreover, the onus of such proof would in most cases fall on the Department of Defense.

Mr. Cutler said the language in the report was broad enough to allow us to go almost as far as we wanted in permitting or restricting exports. He added that without the word "clearly" in the report, the present policy would not be changed very much. Admiral Delany agreed.

Secretary Dulles preferred the language in the main text, i.e., the word "clearly". Our purpose was to switch from discouraging to encouraging trade. He felt that anything could contribute somewhat to the war potential of the Soviet bloc.

The President said he was not sure he fully understood the Defense argument.

Secretary Wilson said that if we went so far as to allow anything to be shipped to the Soviet bloc which did not clearly contribute to their war potential, we might as well use the language of the Battle Act, which referred to atomic energy materials, arms, ammunition, and implements of war.

Mr. Stassen said he believed he could sum up the proposed new policy by saying that it would result in (1) a relaxed attitude toward non-strategic items, (2) a greater concentration of control effort on a smaller number of items, and (3) a decreasing reliance by the Western countries on critical imports from the Soviet bloc.

The President felt that we should concentrate on the question of need. If our opponent needs something very badly, then that something is strategic and that is something we should keep him from getting. We should not forget that we are trying to induce the satellites to come over to our side by judicious use of trade. We must always ask ourselves how we are helping ourselves by our trade policy.

The President asked why any adverb such as "clearly" was necessary. He felt that each case should be solved on its merits, and that the policy adopted should not be too restrictive, since the situation might change.

Mr. Stassen asked whether Defense was agreeable to narrowing the lists of strategic items.

Secretary Wilson replied in the affirmative, but added that he didn't want the lists made too narrow.

Secretary Weeks said that the burden of proof under present policy was on Commerce to show that an item does not contribute to Soviet war potential. The new policy would reverse this burden of proof. He felt that reasonable men could always agree through such machinery as EDAC.

The President said again that our policy was to try to detach the satellites from the USSR. He believed that trade could help in carrying out this policy. Our trade should be used in a broad and subtle way to weaken the Soviets.

Secretary Dulles felt that our trade policy could not be absolutely rigid, and that it would have to differentiate between various countries.

The President wanted everyone to understand that he was not trying to give the USSR anything, but that his remarks had been addressed to winning the satellites away from the USSR by means of trade.

Secretary Dulles agreed that we should use trade as a weapon and, in particular, we should try to impress on the satellites the fact that they can get commodities from us which they cannot obtain from Russia.

The President said that in some cases we might not be hurting the Soviet bloc by cutting off trade between the West and the satellites, because such a policy might compel the satellites to beg Russia to give them what we would not.

The President remarked that the present paper implied that trade was a weapon only as an afterthought, whereas he felt this idea should be stated positively. The purpose of our trade should be to split the Soviet world.

Mr. C. D. Jackson also felt that the entire paper was pitched negatively.

At the suggestion of Mr. Stassen, it was agreed to add a new objective in paragraph 18, to read "to decrease, through skillful and flexible use of trade controls, the political and economic unity of the Soviet bloc."

Mr. Cutler felt that the paper had achieved considerable flexibility, and read paragraph 20 as an example. He also noted that the problem of getting along with our allies in trade policy was an important factor.

The President said that was right, and that our allies introduced an added complication that needed careful handling.

Secretary Wilson asked whether it wouldn't be desirable to refer the report back to the NSC Planning Board for a revision in view of the new ideas expressed at the meeting.

The President said he felt these ideas were already incorporated in the paper if a few amendments were made, such as deleting the adverb "clearly" wherever it appeared. He also agreed with the suggestion made by Mr. Stassen, that "readjusted" was the correct word, rather than "relaxed", in paragraph 20.

At the suggestion of Mr. Cutler, it was agreed that the Economic Defense Advisory Committee should review NSC 122/1 and submit to the Council any revisions which it considered necessary.

The National Security Council:

a. Adopted the statement of policy contained in NSC 152/1, superseding NSC 104/2 and NSC 91/1, subject to the following changes:

> *Page 3, paragraph 6:* In the last sentence, delete the word "clearly*" and delete the footnote to which the asterisk refers.
>
> *Page 3, paragraph 8:* In the first sentence, substitute for the word "once" the words "now that".
>
> *Page 6, paragraph 15:* In the last sentence, substitute for the words "to be" the words "of making them".
>
> *Page 7, paragraph 18–a:* Delete the word "clearly*" and delete the footnote to which the asterisk refers.
>
> *Page 7:* Add a new subparagraph *e* to paragraph 18, reading as follows: "To decrease, through flexibility in applying controls, the political and economic unity of the Soviet bloc."
>
> *Page 7, paragraph 19:* Delete subparagraph *a*, and revise the paragraph to read as follows: "With respect to Communist China, in the light of the Korean armistice, and pending a political settlement in Korea and a review of basic policies toward Communist China and Korea, maintain the present U.S. level of controls on transactions with Communist China and continue intensified efforts to persuade our allies to refrain from relaxing their controls on trade with Communist China."
>
> *Page 8, paragraph 20:* In the last sentence, delete the asterisk and the footnote to which it refers, and substitute for the word "relaxed" the word "readjusted".
>
> *Page 9, paragraph 24:* Delete the word "clearly*" and the footnote to which the asterisk refers.

b. Directed the Economic Defense Advisory Committee to review NSC 122/1 in the light of NSC 152/1 as amended, and to submit recommendations for any revision in NSC 122/1 required to make it conform to NSC 152/1 as amended.

Note: NSC 152/1, as revised and approved by the President, subsequently circulated as NSC 152/2. The action in b above subsequently referred to EDAC for implementation.

[Here follows discussion of significant world developments affecting United States security, the report by the President's Committee on International Information Activities of June 30, 1953, the reported decline in United States prestige abroad, Project Solarium, armaments and American policy, United States policy on Soviet and Satellite defectors, and the National Security Council status of projects.]

S/S-NSC files, lot 63 D 351, NSC 152 Series

Report to the National Security Council by the Executive Secretary of the National Security Council (Lay)[1]

SECRET
NSC 152/2

WASHINGTON, July 31, 1953.

STATEMENT OF POLICY BY THE NATIONAL SECURITY COUNCIL ON ECONOMIC DEFENSE

GENERAL CONSIDERATIONS

1. Broadly stated, the problem is the extent and degree of intensity with which the U.S. should apply, and seek to have other countries apply, controls on trade with the Soviet bloc and with Communist China,* in order to reduce their relative economic potential for war.

2. The assumption underlying the problem is that we are faced with a long period of tension short of war and that, regardless of gestures made by the Soviet bloc, the motives of the Communist countries are properly to be viewed with suspicion and skepticism. Our attitude and program, however, must be one which will not increase the possibility of war, but rather one which will keep open paths which might lead to a sounder basis for peace.

3. During this period the courses we take should be based upon the assumption that interference in the trade between the free world and the Soviet bloc should take place only where a clear advantage to the free world would accrue from such interference. They should also be based upon the assumption that the mainte-

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[1] In addition to the statement of policy printed here, NSC 152/2 consists of a cover sheet and a note by Executive Secretary Lay to the members of the NSC in which he reported that the President had approved the statement on July 31 and that it thereby superseded NSC 104/2 and NSC 91/1.

*Communist China as used throughout this paper includes North Korea. [Footnote in the source text.]

nance of some personal and commercial contacts between the free world and the Soviet bloc, particularly the satellites, may have positive advantages during this period of tension and watchfulness.

4. Over the long term, trade controls, though withholding a contribution to the over-all Soviet bloc economy, cannot seriously impair that economy. Over the short term and in selected areas, however, there probably is a retardation of the growth of Soviet war potential.

5. Controls on trade still pose economic, financial and political problems for many of our allies. These problems should be given appropriate weight and taken into account in determining the nature of the control which the free world must exercise in its economic relations with the Soviet bloc.

6. The system of controls already agreed among the United States and cooperating nations of the free world substantially satisfies our economic defense objectives of retarding the buildup of the Soviet bloc war potential and of strengthening the free world relative to the Soviet bloc. Extensions of the control lists should not be necessary except where clearly justified by new technology, intelligence or strategic evaluation. The principal future emphasis in improvement of the control system should be in the field of implementation and enforcement. U.S. efforts should be devoted to establishing the control system on a narrower and more flexible basis by tightening the criteria so as to concentrate on commodities and services which contribute significantly to the war potential of the Soviet bloc.

7. There are indications that the USSR is changing its tactics with respect to its economic relations with the free world countries and is giving increased emphasis to trade with the West. There are signs, too, that economic interests within the free world, including the United States, are becoming more interested in increasing trade with the USSR and its satellites.

8. The pressures to trade with the East may also be expected to become stronger now that an armistice has been negotiated in Korea. Furthermore, the fact that U.S. assistance to Western European countries is diminishing, lessens our influence and also may make them more dependent on non-dollar sources.

9. Our economic defense program must be framed and administered with full recognition of the fact that the economic defense system of the free world is part of the larger system of military and political alliances and, like them, depends upon the cooperative efforts of the free nations. Accordingly, in determining the measures which the United States should adopt and those to be urged on other nations, the impact upon the existing international system of economic defense as a whole, and upon the free world

military and political alliances, must be taken into account. Similarly, in multilateral military and political discussions consideration should be given to the impact of courses of action on the economic defense program.

10. There is a continuing necessity for U.S. controls over exports to the Soviet bloc. However, a gradual and moderate relaxation in the present practice of virtual embargo of shipments to the European Soviet bloc would be appropriate, provided that in the pace and timing of such relaxation due consideration is given to the effects on the total economic defense effort.

11. The United States should exercise export controls with respect to destinations other than Soviet bloc countries, to the extent necessary to avoid the circumvention and frustration of U.S. security controls. Such controls should not be applied, however, as a substitute device for negotiation in persuading friendly foreign countries to adopt adequate controls. It is important to avoid measures which reduce the willingness on the part of free world countries to cooperate in the international system of controls, or measures which do not significantly affect the supply of strategic commodities to the Soviet bloc.

12. The effectiveness of international controls over given commodities or services normally depends in part upon the controls imposed not only by the United States but also by other nations of the free world. In determining a particular course of action, the United States should take into account the economic and military vulnerability of the bloc countries and the views and intentions of the other principal nations of the free world.

13. Two types of risks attend excessive dependence of free world countries on Soviet markets for non-strategic commodities and on Soviet sources of supply for essential commodities. Such excessive dependence places the Soviets in a better position:

a. To insist on the inclusion of strategic commodities or services as a condition for continuing or enlarging a profitable trade in non-strategic commodities; or

b. To influence the political policies or disrupt the economies of free world countries.

An essential element in reducing such excessive dependence is the development within the free world of alternative markets for commodities presently sold to the Soviet bloc and of alternative sources of supply for commodities presently acquired from the Soviet bloc.

14. Control over commodities should also be supplemented by ancillary controls, such as shipping, transit trade and transshipment, bunkering and chartering and repairs of ships, where these will contribute to the effectiveness of the control system.

15. Trade is a vital element in the economy of the free world countries. Restrictive features of U.S. import policy limit the entry into the United States of the commodities of friendly foreign countries. This has the over-all effect of making such countries look to the Soviet bloc as the alternative outlet for their commodities and of making them less receptive to trade control efforts.

16. Economic defense policies toward Communist China differ from those toward the rest of the Soviet bloc since Communist China is a military aggressor.

17. The implementation of the policy set forth herein does not require a change at this time in the Mutual Defense Assistance Control Act (Battle Act), the Export Control Act, or related legislation.

GENERAL OBJECTIVES

18. With respect to the Soviet bloc excluding Communist China:

a. To control selectively exports of commodities and supply of services from the free world which contribute significantly to the war potential of the Soviet bloc.

b. To obtain the maximum net security advantage for the free world from economic intercourse which takes place between the free world and the Soviet bloc.

c. To decrease the reliance of free world countries on trade with the Soviet bloc.

d. To increase the political and economic unity of the free world.

e. To decrease, through skillful flexibility in applying controls, the political and economic unity of the Soviet bloc.

19. With respect to Communist China, in the light of the Korean armistice, and pending a political settlement in Korea and a review of basic policies toward Communist China and Korea, maintain the present U.S. level of controls on transactions with Communist China and continue intensified efforts to persuade our allies to refrain from relaxing their controls on trade with Communist China.

COURSES OF ACTION

Toward the Soviet Bloc Excluding Communist China

20. Control the export from the United States of commodities and technical data to the Soviet bloc with a view to avoiding a significant contribution to the Soviet bloc war potential, by limiting or denying commodities and data which have strategic significance, but without imposing undue restraints on the shipment of non-strategic commodities to the Soviet bloc. Accordingly present U.S. controls should be gradually readjusted with due regard to pace and timing and to effect on the total economic defense effort.

21. Continue the prohibition of all exports of the following destined for the Soviet bloc, either directly or indirectly: arms, ammunition, implements of war and atomic energy materials.

22. Limit or deny shipments of strategic commodities to destinations other than Soviet bloc countries when such shipments would contribute significantly to the ability of those countries to maintain or increase shipments of identical or similar commodities to the Soviet bloc, and when the limitation or denial will, in fact, significantly affect the supply of strategic commodities to the Soviet bloc. Do not take this action as a substitute for negotiations or in such a way that it is inconsistent with a cooperative international system of security controls.

23. Improve the availability and enhance the utilization of current intelligence in matters relating to enforcement of controls.

24. Tighten the criteria for the inclusion of commodities on our lists to provide for the selection of commodities which contribute significantly to Soviet war potential.

25. Concentrate on effective implementation and enforcement of the security control systems which have been agreed by the free world.

26. Improve implementation and enforcement of agreed control systems through the development of ancillary measures including, where appropriate, control over transit trade and transshipment, free port activities, use of transportation facilities, financial control, blacklisting, and greater coordination among national control authorities.

27. Avoid proposals for extensions of controls which involve disproportionate expenditure of good will and bargaining power.

28. Maintain flexibility with respect to the modification of presently agreed controls.

29. Give greater weight in determining U.S. actions to the impact of the control system on the economic, political and financial situation of our allies and to their views and intentions.

30. Consult with other principal free world nations before entering into new major economic defense programs.

31. Seek to demonstrate to free world nations, on appropriate occasions, the risks of excessive reliance on the Soviet bloc as a trade partner for the free world.

32. Encourage and facilitate the flow of trade within the free world, including the entry of commodities into the United States by reduction of trade barriers, particularly when the effect of such action would be to decrease the reliance of the free world on the Soviet bloc.

33. Encourage and support, by all reasonable means, the development of alternative markets and sources of supply within the free

world, so as to reduce dependence of free world countries on Soviet bloc markets and sources of supply.

34. Seek to provide safeguards designed to minimize the immediate effects of a sudden reduction or cessation of trade initiated by the bloc.

35. Administer current U. S. programs such as economic development, military procurement, defense support, stockpiling and similar activities, in such a way as to take into account the impact on the economic defense program, and, particularly, the objective of decreasing the free world's reliance on Soviet bloc trade.[2]

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[2] The full text of NSC 152/2 was transmitted to all American diplomatic posts and FOA missions, and to certain consular posts, in instruction CA-910, Aug. 21, 1953. (460.509/8–2153)

460.509/8–3153: Telegram

The Ambassador in the United Kingdom (Aldrich) to the Department of State[1]

SECRET LONDON, August 31, 1953—7 p.m.

894. Excon.

1. Embassy understands CG meeting end October early November being considered in Washington for purpose explaining NSC policy statement (CA–910, August 21 [2]). Further understand that, if such meeting scheduled preliminary US-UK bilateral talks would be held early October.

2. Instead of waiting until operational details new policy are decided upon, suggest Embassy be informally authorized reveal substance new policy to Foreign Office immediately taking following general line:

(a) Official statement future US policy has been adopted;

(b) Details of future action deriving from policy now being worked out in Washington;

(c) US desires CG meeting end October early November for presentation policy and program to PCS. Before CG meeting US would appreciate opportunity discuss policy and derivative programs with UK bilaterally in order achieve maximum US-UK understanding;

(d) Embassy would informally suggest that if UK has in mind drastic control reductions it withhold them pending such bilateral talks.

3. Embassy feels above approach at this time called for by following:

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[1] Also sent to Paris.

[2] Not printed, but see footnote 2, *supra*.

(a) US should keep UK informed such major developments as matter of course and UK certain to welcome new policy.

(b) A frank statement of this new policy along lines paragraph 1 above, if made well prior September 15 opening of list II talks, may well lead UK to review or not push vigorously any proposals which they realize would be strongly resisted by US. Fullest and promptest disclosure will accomplish best results.

4. Embassy still hopes have more definite information UK intentions on list II, but would appreciate Department comments soonest.[3]

ALDRICH

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[3] In telegram 1133 to London, Sept. 1, 1953, the Department of State concurred in Ambassador Aldrich's recommendation that he be permitted to reveal the substance of NSC 152/2 to the Foreign Office. (460.509/8-3153)

460.509/9-1053

Memorandum for the Files, by the Deputy Assistant Secretary of State for European Affairs (Bonbright)

SECRET WASHINGTON, September 10, 1953

Ambassador Butterworth told me this afternoon that when he saw the Secretary on September 8[1] he spoke to him about the necessity of our doing something about International Lists 1 and 2 if our entire East-West trade policy was not to fall to the ground. He said that he told the Secretary frankly that these lists had been padded and that officials, rather than face the possible accusation of being pro-Communist, had worked for the inclusion of items of dubious strategic value. The effect of this was to annoy our allies and jeopardize controls of items which were of real strategic importance. Mr. Butterworth did not indicate that the Secretary reacted one way or the other.

JAMES C. H. BONBRIGHT

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[1] Ambassador Butterworth departed from Stockholm for London on July 22, 1953, prior to his return to the United States for a leave of approximately 2 months. He resumed charge of the Embassy in Stockholm on Oct. 9. (123 Butterworth, W. Walton)

824.2544/9–2153

The Secretary of State to the Secretary of the Treasury (Humphrey)[1]

CONFIDENTIAL [WASHINGTON,] October 5, 1953.

DEAR GEORGE: I refer to your letter of September 21[2] concerning the forthcoming tin negotiations.

The simple answer to your question is that we believe it would cause serious complications for us to fail to carry out our expressed intention of attending a negotiating conference on tin, if convened. However, in view of the concern you express, I want to discuss in this letter several of the considerations that entered into the original decision to participate.

There is no disagreement here with the concern you have about international commodity agreements. We share your feeling that it is in the nature of these agreements to do violence to our beliefs in the free operation of the marketplace with a minimum of governmental interference. I would go on to say that the basic attitude of our Government towards any proposals of this character should be a presumption against entering such agreements.

However, this is but one aspect of the case and various other important considerations must be carefully weighed in reaching a governmental decision which reflects the broadest national interest. One such consideration is the deep concern regarding violent commodity price fluctuations which are felt by the underdeveloped areas, and indeed by many of our important allies in Western Europe. In the face of this concern, a failure on our part even to sit down internationally and consider common action with our allies to meet these problems could not but have the most adverse effect on our foreign relations, especially with Asia and Latin America.

Secondly, we must bear in mind that these are the very underdeveloped areas about which we are concerned and watchful as to their political and economic stability—and where we have mounted substantial economic development programs as a stabilizing factor—and they, rightly or wrongly, consider commodity agreements a possible answer to some of their preoccupying economic difficulties. Furthermore, it is hard to see how the United States can afford to take a doctrinaire position, no matter its consistency with our fundamental economic philosophy, if we are not to ignore our security interest in these areas—and in the face of the fact that in wheat and sugar, where we are major producers, we too have sought an answer to our problems by way of commodity agreements.

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[1] Drafted by Schaetzel on Oct. 2.

[2] Not found in Department of State files.

Thirdly, it is well to remember that there have been international tin agreements in the past. One of the principal complaints of consuming countries like the United States has been that these agreements were operated without their participation and without regard to their interests. United States participation is not essential to conclusion of an agreement, but there is room for serious doubt that we should now take a position which would virtually assure that we would be unrepresented in any agreement that may be negotiated.

Fourth, the tin situation presents dangers to our national interests. Those dangers cannot be removed by refusing to consider a price stabilization agreement. For instance, an extended period of distressed prices would be a serious threat to our interest in economic and political stability in Bolivia and strategic areas of Southeast Asia and the Belgian Congo. In the absence of an international agreement, tin might sell below an economic price for a considerable time, but this windfall would not be an important advantage to consumers, as it would eventually cause shortages. Further, the period of unreasonably low prices and the later period of unreasonably high prices would stimulate accusations and recriminations of a type which have been serious irritants in international relations in the recent past. And, finally, the Soviet bloc requires imports of tin but we believe that these have not been large enough to allow stockpiling behind the Iron Curtain. A persistent surplus in the West could easily play into their hands.

In short, it seems to me that this is a difficult area of our international relations and one in which the decision must rest on the broadest national interest—one in which we must analyze a series of factors, one of which is certainly the issue you raise.

On the understanding that the conference may be resumed in November, the American Iron and Steel Institute has nominated Mr. Carl A. Ilgenfritz, Vice President—Purchases, United States Steel Corporation, to serve as an industry adviser in our delegation. Mr. Ilgenfritz would represent the tin plate industry which is the principal consumer of tin in the United States. He has served ably in this capacity in previous international meetings. I am sure that he would be glad to come to Washington to discuss these questions with you from the standpoint of the largest consuming industry. We would be glad to suggest this to him, if you wish.

Sincerely yours,

JOHN FOSTER DULLES

P.S. We have just received your letter of September 29[3] which raises related questions about rubber. The international situation is quite different in rubber, and we shall write you further on this matter shortly.

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[3] Not printed; it expressed the fear that U.S. participation in the meeting of the Management Committee of the International Rubber Study Group scheduled for London on Oct. 12, 1953, might involve the United States in a costly commodity agreement. (398.2395/10–853) A draft letter of reply, with drafting date of Oct. 7, stressed the same points contained in the letter concerning tin, but there is no indication that Secretary Dulles signed it as drafted. (398.2395/10–853)

460.509/10–753: Telegram

The Secretary of State to the Embassy in the United Kingdom[1]

SECRET WASHINGTON, October 7, 1953—7:17 p.m.

1831. 1. US Reps met with Reps Brit Emb and outlined proposals for bilateral talks with UK re COCOM and proposal to convene CG mtg first half Nov.

2. Fol paras give principal pts US presentation.

3. Shift in emphasis resulting from recent high level review US East-West trade policies was described. See CA–910 Aug 21, 1953.[2] Principal pt made was that US emphasis in future wld be on improvement of enforcement and that addition items to security lists wld be de-emphasized.

4. US Reps pointed out that this shift in emphasis seemed called for by recent intelligence reports indicating much larger volume illicit trade than had previously been suspected. Pointed out also that US had been assuming role of international coordinator in illicit trade involving diversions of shipments among several countries. US did not believe this was role which any one nation shld be expected pursue in long run and that international group such as COCOM might more appropriately assume this essential function. This however wld require broadening in COCOM terms of reference and wld require development more explicit rules as to responsibilities individual countries in preventing movement diverted shipments.

5. US Reps also pointed to fact that in recent COCOM discussions re exceptions for shipments strategic goods to Soviet bloc, member countries have frequently injected political and economic considerations in discussion rather than confining themselves to examina-

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[1] Drafted by Vernon and repeated to Paris.

[2] Not printed, but see footnote 2 to NSC 152/2, p. 1014.

tion strategic nature particular shipment. Moreover other COCOM countries have become increasingly receptive to such considerations. US feels that in view fact such considerations cannot practicably be excluded from discussions, might be well alter CG/COCOM terms of reference to encompass such considerations. This step wld permit examination on their merits of contentions by exporting countries, e.g. that failure obtain particular order wld result significant unemployment. It wld also permit examination alternative courses of action open to exporter. We recognize risk that other nations might construe such change in terms of reference as reflecting willingness on our part permit more frequent exceptions but we wld propose to be clear that we did not anticipate this result.

6. Another pt raised in discussion was desirability altering COCOM terms of reference to permit discussion Soviet trade tactics wherever such tactics were related to movement of strategic goods to bloc. We made plain fact that we did not contemplate seminar on Soviet trade problems but wished only discuss those tactics as they bore on possibility increased export strategic goods. We felt that NATO also had legitimate interest in this problem and that periodic NATO discussions might also be appropriate. We assumed however that NATO discussions wld be far less particularized and wld be related to broader questions of strategy vis-à-vis Soviet bloc.

7. US Reps noted that in addition above pts it wld be desirable button up pending transit control scheme before or in course CG mtg. We felt that failure settle on this plan might prevent us from pursuing as rapidly and as far shift in emphasis described above para 3.

8. We noted that question of shipping controls was soon to come up in COCOM as part List II review and we felt that it wld be desirable postpone such review long enough for US and UK shipping experts get together to consider joint proposals. We stated that we propose to frame our own ideas in light new US directives described above and that we wished try some of these ideas on UK first.

9. Accordingly we suggested that UK invite us to London for talks Oct 19 to be followed by talks among shipping experts.[3]

10. For their part UK Reps made pts in fol paras:

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[3] In response to this suggestion, according to Polto 582 from Paris, Oct. 15, 1953, the British requested that the bilateral talks be postponed until Nov. 1, and that the CG meeting be correspondingly postponed. (460.509/10-1553) The Department's instruction CA-2186, Oct. 20, informed all American missions abroad that Nov. 3 had been finally agreed upon for the U.S.-British bilateral talks. (460.009/10-2053) For a summary of the discussions which took place at this meeting, see despatch 1714 from London, Nov. 10, p. 1039.

11. UK proposed in next ten days to raise question in Paris re continuation existing controls on antibiotics to Communist China. In this connection UK Reps asserted considerable domestic pressure for relaxation such controls, maintenance of which they regarded as dangerous from propaganda viewpoint and as imperilling their ability cooperate on strategic controls in general.

12. UK Reps also stated that above US proposals wld probably be far easier to swallow if US in fact intended substantial cutback list of strategic items. For our part we stated cutbacks cld only be justified if strategic considerations permitted, not as part of horse trade between US and UK.

13. Finally UK Reps stated that reaction to their antibiotics proposals might affect atmosphere in which UK considered our new proposals for CG/COCOM.

DULLES

PPS files, lot 64 D 563, "Strategic Materials"

Memorandum by the Executive Secretary of the National Security Council (Lay) to the National Security Council[1]

TOP SECRET WASHINGTON, October 16, 1953.

Subject: Source of U.S. Aluminum Supply in Time of War

1. In response to a request of the Defense Mobilization Board, the Director of the Office of Defense Mobilization has asked that the National Security Council provide advice with respect to the national security considerations involved in relying upon Kitimat, British Columbia, aluminum production as a source of U.S. aluminum supply in time of war.

2. The NSC Planning Board, including a representative of the Department of Commerce, has reviewed the enclosed staff study by the Office of Defense Mobilization (Enclosure A) and the enclosed views of the Joint Chiefs of Staff on the subject (Enclosure B).

3. Based thereon, the NSC Planning Board recommends that the National Security Council advise the Defense Mobilization Board through the Director of the Office of Defense Mobilization that considerations of national security do not warrant elimination of the Kitimat (British Columbia) aluminum supply from calculation of the full mobilization base available to the United States. On balance, security factors alone indicate no necessity for discrimination against Kitimat production. In fact, reliance on Kitimat as a source

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[1] Copies of this memorandum were sent to the Secretaries of the Treasury and Commerce, the Director of the Bureau of the Budget, the Chairman of the Joint Chiefs of Staff, and the Director of Central Intelligence.

of aluminum is in consonance with the long standing plan of the United States and Canada to share their resources in time of war on a continental rather than on a national basis.

4. The above recommendation is scheduled for consideration by the Council at its meeting on October 22.

JAMES S. LAY, JR.

Enclosure A

National Security Council Staff Study

TOP SECRET [WASHINGTON,] October 16, 1953.

RELIANCE TO BE PLACED BY THE UNITED STATES ON KITIMAT FACILITIES OF ALCAN IN CANADA AS WARTIME ALUMINUM SUPPLY SOURCE

(Prepared by the Office of Defense Mobilization)

General Considerations

1. At the September 23 meeting of the Defense Mobilization Board (DMB),[2] the Director of the Office of Defense Mobilization was asked by the Board to "have the policy statement which was considered at this meeting placed before the National Security Council for strategic evaluation as soon as possible."

2. The sole issue prompting reference to the NSC is the reliance to be placed on Kitimat in British Columbia as a wartime aluminum supply source, this point being raised by the italicized last clause of the policy statement considered by the DMB:

> "ODM planning for U.S. defense preparedness in aluminum (including requirements for the national stockpile) shall be based on supply calculations which give full weight and recognition to that availability of Canadian aluminum indicated by the schedule of projected shipments to the United States publicly announced about May 25, 1953 . . .[3] *as well as an additional supply potential from Canada of 175,000 tons per year of primary aluminum.*"

a. The background of this statement is the need for a rapid decision as to whether the U. S. should proceed with a further expansion of domestic aluminum to meet a serious shortage in the light of full mobilization requirements. The two companies which would be involved in this further expansion of domestic capacity do not find certificates permitting rapid amortization at an 85% rate plus market guarantee contracts adequate. In addition, they require that the Government underwrite private loans to the extent of about $165 million. The Defense representative expressed the view at the DMB meeting that this so-called "third round" of expansions of primary aluminum capacity in the U. S. might be needed in the light of revised full mobilization requirements, in addition to the potential Canadian supply from Alcan's facilities at Kitimat (one tunnel basis). The Defense representative also suggested that the question be examined as to the safety of relying on Kitimat production in the light of the comparative risks rising from the total vulnerability picture of Kitimat's supply lines for alumina and the large concentration of production so close to the West Coast.

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[2] No record of the meetings of this Board has been found in Department of State files.

[3] Ellipsis in the source text.

b. The NSC is not being asked to pass upon either the adequacy of the mobilization requirements figures or the provisions being made in the mobilization base for meeting them. Consideration is asked only of the comparative strategic security factors involved in relying upon the additional potential supply from Canada of approximately 175,000 tons per year of primary aluminum through the Kitimat facilities, rather than upon increased United States production.The two cases are summarized below, pro and con, as focused on the security problem.

3. The source of the raw materials for primary aluminum production in Canada at Kitimat is the bauxite production of Jamaica. At Jamaica the bauxite is reduced to the intermediate stage of alumina. The shipping ratio is roughly two tons of bauxite to one ton of alumina, and two tons of alumina to one ton of aluminum. On the basis of 320,000 tons of aluminum production annually, the potential of the one tunnel presently installed at Kitimat, alumina shipments from Jamaica would run to about 640,000 tons a year. Also, there would be a need initially to build up working stocks of about 100,000 tons.

4. The power facilities at Kitimat are located under ground. The plant, including potlines for producing aluminum, is not dug in and is located at the head of a fjord 400 miles north of Vancouver, 100 miles southeast of Prince Rupert, and 150 miles from the open sea, with a 5,000-foot cliff rising above the plant and town, which has a present population of 6,000, with a projected population of about 50,000.

Case Against the Reliance on Kitimat Aluminum on Grounds of Strategic Risk

5. The essential risks which are alleged to be greater for Kitimat than for aluminum production by the Olin Industries in West Virginia or southern Illinois and by the Wheland Company in Chattanooga, Tennessee, are two:

a. The long sea haul through the Panama Canal which is itself vulnerable, plus what is alleged to be a very vulnerable route for submarine attack on the haul up the Pacific West Coast.

b. The concentration of a tremendous production of aluminum in a single location which might invite selective atomic bombing attack.

6. *a.* It is alleged that the extreme vulnerability of the Panama Canal to atomic weapons and possible sabotage by conventional methods makes the additional risk of placing a large part of our dependence for aluminum on raw materials that must pass through this route an excessive gamble.

b. Any shipping haul around Cape Horn would involve tying up shipping in excessive amounts and for very long periods of time. Dependence should rather be placed on lines of transportation which proceed up the river systems of the United States or depend on relatively short rail hauls. It is pointed out that a cross-country rail haul of alumina to Kitimat (which would have to be handled in box cars rather than the open type or gondola cars used for bauxite) would add a strain on the transportation system of the U.S. in wartime by tying up cars for an inordinately long haul and for periods of time that would diminish the car supply critically in an already overburdened system.

7. A comparable danger from submarine attack, it is admitted, would be involved in the Caribbean portion of the haul. In the last war we lost nearly 100 ships in the bauxite trade in Caribbean waters or on the bauxite haul to the North American Continent. But the long haul from the Panama Canal up the West Coast or the even longer haul around South America (if the Panama Canal were put out of operation) would expose the alumina shipments to submarine attacks on a much more extensive basis. Convoys for this route would be extremely costly in terms of available naval protection. Too much (about 40%) of the supply of the aluminum production of the United States from this point of view is already located in the Pacific Northwest, including the expansion of the Harvey Machine interests which is already approved for the "third round" of U.S. expansion, to the amount of about 50,000 tons. To add to this risk of interruption of ocean transport of essential raw materials by a still longer haul to a region still closer to Russian submarine bases is to add to the risk by concentrating it.

8. The concentration of an amount of aluminum production which would be over 300,000 tons (with the single tunnel) and roughly double this amount for two tunnels, could only be brought into full operation with U.S. support through public contracts or through reliance upon the Kitimat production for a large part of wartime essential defense use. The existence of so large an amount of North American production at a single facility, it is argued, might be very tempting to knock out by a special mission on a gen-

eral atomic attack or to cripple by sabotage even without the use of unconventional weapons.

9. A final point not directly related to strategic considerations of enemy action but relevant to dependence upon other governments for vital resources, no matter how friendly they may usually be, is the argument that we are adding to our dependence on Canada by helping to build up this production across the Canadian border rather than inside our own. It is argued that on a comparative basis West Virginia, eastern Tennessee and southern Illinois are far less vulnerable than British Columbia, with the added advantage that much of the transportation of bauxite in the U.S. would be presumably by river systems or by relatively short rail hauls from nearby and available ports. The aluminum production for the U.S. third round by the diversification of sources and the small amounts involved in each would conform to the dispersal policy of the mobilization base better than the concentration of such large amounts in what is after all a foreign country.

The Case for Reliance on Canadian Production at Kitimat Rather Than on Increasing Production of Primary Aluminum in the U.S. on a Subsidized Basis

10. The choice of Canadian aluminum on a non-subsidized basis, rather than the guarantee by the Government of large loans in further increasing United States production by smaller producers, does not, of course, rest primarily on strategic factors but on reasons of what is termed sound economy. However, the proponents of reliance on the Canadian source at Kitimat point out that much larger security issues may be involved than the risk of interrupting aluminum production. If we do not treat the resources of Canada as joint resources to be used in the most effective and economical method possible by the two systems, it may be difficult to persuade the Canadians to expedite the most vital matter of continental defense for both systems. Furthermore, the whole attitude of Canada toward the most effective use of joint resources, including the availability of nickel supply and uranium, may be exacerbated by a continuing feeling that we are discriminating against Canadian aluminum. In other words, the bad indirect effects on much more basic joint security programs may outweigh the increased risks of a direct character arising from further reliance on Canadian aluminum from Kitimat.

11. On the direct security issue, the case for the use of Kitimat facilities would stress the fact that if we were to plan not to rely on the Panama Canal, the required alterations in U.S. security policy would be much broader than those involved in West Coast shipment of alumina for Kitimat. The Panama Canal lies beyond the

range of any probable atomic strikes in the years immediately ahead, and during the last war no effective sabotage was brought into play against it. Moreover, it is pointed out, we are already relying on the Pacific Northwest for a very large part of our mobilization requirements for aluminum under factors not essentially different from those involved in transportation to Canada via the Canal.

12. The same type of answer is directed to the exposure to submarine attack of ocean shipping carrying alumina up the West Coast to Kitimat. It is probable that in time of war enemy submarines could be detected and destroyed at considerable distance from out coasts. Hence coastal shipping will probably be safer than any other form of transportation. By way of comparison, the dangers of complete bottlenecking of the rail transportation system from atomic strikes on major cities and the possible destruction of major ports would have a very serious effect that would not be felt by a small port like that at Kitimat.

13. The large concentration of production which accompanies adequate power for electricity, such as is found at Kitimat, is said to be unavoidable if economies are to be achieved. Without atomic weapons there is not great risk in such concentrations as are involved at Kitimat, it is argued, and it is extremely doubtful if atomic bombs will be devoted by the U.S.S.R. to individual targets of this sort in any but the most critical instances. (They might, for example, be used against such concentrations as atomic energy facilities, or against so large a percentage of a production of a vital metal as is involved in the Copper Cliff Refinery of the International Nickel Company in Canada.) Insofar as natural factors can provide increased protection, the conditions at Kitimat are set forth by its proponents as approaching the ideal.

14. Dispersal policy aims primarily at locating important facilities away from large and vulnerable areas of urban concentration. Kitimat meets this test, it is said.

15. In reply to the argument that it is contrary to the national interest to increase our dependence on Canada by further expansion of Canadian aluminum facilities, emphasis is placed on the advantages to far more important defense programs of the adoption of a joint basis. We are bound to be dependent on Canada for many of the most vital basic materials, but so is Canada dependent on us for coal and, until quite recently, for an overwhelming percentage of her energy from petroleum. We are jointly dependent on such matters as an early warning system, where the Canadians must consent to our use of their territory.

16. The proponents of reliance on Canadian production at Kitimat point to the fact that, as against the larger issue of the most

effective use of joint resources on an economic basis, the small additional risks, if any, involved in the transportation of alumina through the Canal and up the West Coast is a negligible factor. They also rely on the fact that a study made by the Military Facilities Review Board in the fall of 1951, after a careful consideration of the security factors involved, recommended the reliance on Kitimat as part of the mobilization base availability of the U.S. Further, Mr. William C. Foster, then Acting Secretary of Defense, in a letter to the Director of Defense Mobilization dated October 12, 1951, stated "The Department of Defense insofar as military security is concerned perceives no objection to the proposed expansion of the plant and no overriding objection to the proposed method of alumina delivery. No information, however, is available regarding the local internal security situation at Kitimat which is, of course, a Canadian matter."

17. Arguments whether primary aluminum production or fabricating capacity would suffer more heavily in atomic strikes on cities can be used almost equally by either side of the present controversy. It is possibly true that Kitimat is a less vulnerable target than other plants on which the Air Force depends. On the other hand, knocking out power facilities or dams, such as the MacNary Dam in the Pacific Northwest, might cut off not only primary aluminum supply but many other vital war industries. But nothing short of an atomic strike would probably have any effect upon Kitimat, and it does not represent as valuable a target as would the MacNary Dam or similar installations.

Enclosure B

Paper Prepared by the Joint Chiefs of Staff

SECRET [WASHINGTON,] October 1, 1951.

MILITARY SECURITY ASPECTS OF BUILDING A NEW ALUMINUM PLANT AT KITIMAT, BRITISH COLUMBIA

1. The character of the Kitimat area and the planned utilization of protective terrain features will contribute to the security of the reduction plant and its associated power system. Moreover, the isolation of this area from large centers of population and other important industrial installations would make it a relatively unprofitable target for military attack.

2. There are no apparent features which make this project more susceptible to sabotage than other industrial installations in

Canada. On the contrary, the isolation of the project from population centers should facilitate security measures against sabotage.

3. The principal threat to continued production in time of war will be interruption by submarine attack of the sea borne flow of ore from Jamaica. The risk in this respect is considered acceptable as in the case of other strategic materials which must transit the Caribbean and Coastal Pacific waters.

4. The Joint Chiefs of Staff, insofar as military security is concerned, perceive no objection to the proposed expansion of the plant and no overriding objection to the proposed methods of ore delivery.

398.2395/10-1753: Telegram

The Ambassador in the United Kingdom (Aldrich) to the Department of State

CONFIDENTIAL LONDON, October 17, 1953—5 p.m.

1668. For OMP and IC from Armstrong. Rubber meeting[1] reveals serious current situation. Price has been at or below 20 cents for more than week. US stockpile rotation clearly responsible for widening spread between higher and lower grades, which penalizes small-holder rubber while benefiting estate production. 1953 surplus all grades estimated at 169,000 tons; about one-half taken off market by US stockpile during first half year, but this outlet not available for bulk of other half, which is now beginning overhang market. Consumption estimates for balance of year and for 1954 do not give any basis for assuming this quantity will be absorbed; in fact it may be increased during 1954. Statistically surplus is small and should not be burdensome. Forecasts for 1955 and thereafter give no ground for pessimism.

Industry advisers in USDel recognize serious political and economic aspect present low price, tend to blame it on others, have no suggestions for action. They have predicted in meeting that their Copenhagen forecast will come true, but are unable explain publicly or privately why or how, in face foregoing data. Their viewpoint completely unconvincing producer delegations.

Meeting has agreed examine: (1) Remedies for current situation; (2) Longer time problem. Confidential information reveals producer delegations did not expect recent fall in market and were prepared consider buffer stock as relatively academic matter. Price fall has altered this situation so that they are now demanding buffer stock (although statistical forecast scarcely proves its need), and US action of some kind to alleviate short term problem reflected in present price level.

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[1] Regarding the origins of the special Management Committee meeting of the International Rubber Study Group under reference here, see the memorandum by Armstrong to Alexander, Apr. 13, 1953, p. 947.

Recommend Department consider: (1) Increased stockpile buying within present formal objective as exception general freeze, (2) Confinement of rotation to that necessary for reasons of condition, so long as market remains depressed.[2] These two steps should be taken together as neither by itself would be adequate remedy because of difference in grades involved. If other governments had full information on US stockpile policies and practices this is exactly what they would press us to do. Other delegations rapidly deducing need for change in rotation policy, and it would be possible for US obtain political benefit by moving first. Present rotation practices and results when compared CA–1394, September 11 [3] tend impair US Government's reputation for credibility.[4]

ALDRICH

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[2] In telegram 2111 to London, Oct. 19, 1953, the Department of State replied to these suggestions by noting that the U.S. rubber stockpile objective was virtually complete and that rotation of the stockpile was then carried out only for the purpose of preventing deterioration of the rubber. (398.2395/10–1753)

[3] Not printed; it transmitted a statement by the General Services Administration assuring the major rubber producing countries that the U.S. Government would not use its stockpiling activities to manipulate the natural rubber market. (711.61/9–1153)

[4] Having lasted one week, the special meeting of the Management Committee adjourned after deciding to present at the Eleventh Meeting of the International Rubber Study Group at Colombo scheduled for May 1954 a draft commodity agreement providing for the creation of a buffer stock of rubber among the major producing and consuming nations. For the policy adopted by the United States with regard to this issue at the Colombo meeting, see the NSC memorandum of discussion of Apr. 29, 1954, and NSC 5417/1, Apr. 30, 1954, pp. 1153 and 1157.

S/S–NSC files, lot 63 D 351, NSC 163 Series

Memorandum by the Special Assistant to the Secretary for Intelligence (Armstrong)[1] to the Secretary of State

TOP SECRET WASHINGTON, October 19, 1953.

Subject: NSC–163: Security of Strategically Important Industrial Operations in Foreign Countries [2]

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[1] W. Park Armstrong, Jr.

[2] NSC 163, dated Oct. 1, 1953, not printed, is the same as NSC 163/1, dated Oct. 24, 1953, as revised at the NSC meeting of Oct. 22. For the memorandum of discussion at that meeting and the text of NSC 163/1, see pp. 1032 and 1034.

NSC–163 is proposed by the Planning Board to supplant a 1948 directive (NSC–29)[3] which established a program for improving the security of foreign sources of strategically important materials. The new directive would (a) reduce by about 50% the number of industrial facilities to be given attention, (b) limit protective action by the U.S. to that considered commensurate with the appraised risks to the installation, and (c) transfer administration of the program from the Department to the Office of Defense Mobilization, with the Department retaining full responsibility for negotiations with foreign governments.

Discussion:

In the Planning Board the Department took the position that NSC–29 was a marginal program and should be discontinued. It was, and is, our view that for a variety of reasons substantial improvement in the security of industrial facilities abroad is not feasible at this time and that further efforts to persuade foreign governments to permit U.S. security surveys of installations on their territory or to improve existing security arrangements would simply create illwill without compensating improvement in the security situation. While acknowledging the difficulties, ODM and Defense nevertheless felt strongly that a continuing effort should be made to maintain such improvements as have been achieved since 1948 and, where feasible, to increase the security of our most important and vulnerable foreign sources of supply. It was eventually agreed that the limited and modified program attached was acceptable to all agencies and should be recommended to the Council.

Recommendation:

That you approve NSC–163 without change. (Including the new language paragraph 3–c added at Wednesday's Planning Board Meeting.) See red tab.[4]

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[3] Not printed, but see the eighth progress report on NSC 29, dated Jan. 21, 1952, p. 822.

[4] Not printed.

398.2544/10–2253

The Assistant Secretary of the Interior for Mineral Resources (Wormser) to the Acting Assistant Secretary of State for Economic Affairs (Kalijarvi)

WASHINGTON, October 22, 1953.

DEAR MR. KALIJARVI: I am delighted that I had an opportunity to discuss international commodity agreements with you today, and I am pleased to learn that State Department's position is that ". . .[1] the basic attitude of our Government towards any proposals of this character should be a presumption against entering such agreements", as expressed in the letter of October 5 from Secretary Dulles to Secretary Humphrey.[2]

Specifically replying to your letter of October 16:[3] No one recognizes more than I do the seriousness of the recurring market crises in commodities that enter into international trade. Nearly all of those commodities are afflicted with violent price fluctuations, but I am sure the record bears me out that the fluctuations in lead, zinc and copper are in some cases more violent than the fluctuations in tin, or of approximately the same order. Please note the following table:

Selected Extreme Domestic Prices—1946–1953

(Cents per pound)

Commodity	Low	High
Tin	52.00	184.00
Lead	6.50	21.50
Zinc	8.25	*19.50
Copper	12.00	32.25

*Ceiling price. Outside price much higher.

Therefore, if the Administration is to encourage the consummation of an international tin agreement to bring about stabilization of the tin market, it will place this Department in the position of having to treat with favor similar agreements for copper, lead, zinc, aluminum, tungsten, antimony, manganese, chrome, and other metals. Some of these products are in just as desperate a plight as tin.

Frankly, I am dubious about any international commodity agreement achieving stabilization, except at frightful cost to our economic liberties. I think a free competitive market will do a quicker and better job. Moreover, I think the history of such agreements is that they generally collapse by the objection of one or more producing agencies which believe they can do better on the outside.

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[1] Ellipsis in the source text.

[2] *Ante*, p. 1016.

[3] Not printed; in response to an earlier letter from Assistant Secretary Wormser concerning U.S. participation in an international sulphur meeting in Paris, Acting Assistant Secretary Kalijarvi replied by transmitting copies of letters dated Oct. 5 and 10, 1953, from Secretary Dulles to Secretary Humphrey. For the letter of Oct. 5, concerning tin, see *ibid.;* the letter of Oct. 10 presumably is the one regarding the rubber study group referred to in footnote 3, p. 1018. According to Kalijarvi, the letters expressed the Department of State's views on participation in such meetings. (398.2562/10–253)

An important principle is at stake, namely: Shall we abandon our position of fostering open competitive markets in the sphere of foreign trade, while insisting upon it domestically, or shall we hope that, through the example we have set for the world of what an open competitive system can accomplish for a people, the rest of the world will slowly, but surely, imitate our example, just as Germany has begun to do?

I recognize that this entire subject is too broad for me to cover every aspect in this short letter to you. For example, we might discuss the cause of these violent fluctuations. In my humble estimation, it is largely war, or preparation for war. I merely want to indicate, first my misgivings about the international commodity agreement concept. If we are consistent in our desire to reduce or eliminate trade barriers, I don't see how the Government can advocate one of the most serious barriers of all, namely, an international commodity agreement. Secondly, there is the embarrassment it would cause the Department of the Interior if one were to be perfected in tin. Incidentally, I believe I can detect very little, if any, sentiment among the tin-using trade of the United States for an international tin commodity agreement.

I can well appreciate the anxiety of your Department, and my own, about the political situation in Asia, and elsewhere, as intensified by the distressed prices of various commodities they produce. We have a similar problem here, but I think the sacrifice of a fundamental American economic freedom, which most Americans cherish, is too great a price to pay on the assumption that it will create political stability.

This Department is prepared at all times to do everything it can to help you solve some of the difficult problems which face you from day to day, as they relate to our sphere of operations.

Sincerely yours,

FELIX E. WORMSER

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 167th Meeting of the National Security Council on Thursday, October 22, 1953 [1]

TOP SECRET EYES ONLY

Present at the 167th meeting of the Council were the President of the United States, presiding; the Secretary of State; the Secretary of Defense; the Director, Foreign Operations Administration; the Director, Office of Defense Mobilization. The Vice President did not attend because of his absence from the country. Also present were the Acting Secretary of the Treasury; Judge Barnes for the Attorney General (Item 4); the Acting Secretary of Commerce (Item 4); the Acting Director, Bureau of the Budget; the Chairman, Federal Communications Commission (Item 1); the Director, U.S. Information Agency (Items 1, 2 and 3); William A. Porter, Office of Defense Mobilization (Item 1); Ralph L. Clark, Central Intelligence Agency (Items 1 and 6); Gen. Porter, Foreign Operations Administration (Items 6, 7, 8 and 9); the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; The Assistant to the President; Robert Cutler, Special Assistant to the President; C. D. Jackson, Special Assistant to the President; the Acting White House Staff Secretary; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

There follows a summary of the discussion at the meeting and the main points taken.

[Here follows discussion of electromagnetic communications, the implementation of the recommendations of the Jackson Committee, and the mission of the United States Information Agency.]

4. *Source of U. S. Aluminum Supply in Time of War* (Memo for NSC from Executive Secretary, same subject, dated October 16, 1953 [2])

Mr. Cutler explained the reasons why ODM had felt obliged to seek the guidance of the Council with respect to planning on the use of aluminum capacity in Canada, but expressed doubt as to the propriety of the Council's becoming involved in problems of this kind. After pointing out that Judge Barnes of the Department of Justice, and Mr. Robert Murray, Assistant Secretary of Commerce, had been specifically invited to participate in Council consideration of this item, Mr. Cutler asked Mr. Flemming to comment on the report.

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[1] This memorandum of discussion was prepared on Oct. 23 by Deputy Executive Secretary of the National Security Council Gleason.

[2] For text, see p. 1020.

Mr. Flemming sketched the genesis of the problem in some detail, indicating that it involved domestic political and economic issues and was also complicated by the fact that the contract between the aluminum companies of America and of Canada was allegedly in violation of the anti-trust laws of the United States. All this, however, was not within the competence of the National Security Council to decide. What he hoped the Council would do would be to answer the question whether ODM was justified, from the security point of view, in relying not only on the Canadian aluminum capacity at Kitimat, but on other Canadian sources of aluminum in time of war.

Early in the discussion the President made clear his own view that if there was as much potential aluminum capacity in Canada as this report indicated, we would be "idiots" not to plan to use it and thus avoid the expenditure of money to create additional capacity in the United States.

Secretary Dulles warned that if we took a position vis-à-vis Canada that its security standards should be viewed differently from our own, we were bound to run into very embarrassing difficulties, and it was essential that the United States should cooperate with the Dominion and view its security jointly with our own.

After considerable discussion, by Mr. Flemming and Judge Barnes, of the non-security aspects of this problem, Mr. Cutler pointed out that while the Planning Board had recommended favorably on the Kitimat facilities from the point of view of security, Mr. Flemming had now suggested that the Council agree that *all* Canadian sources of aluminum be considered as secure. Mr. Cutler pointed out that the Planning Board had expressed no judgment and had no knowledge of the security risks of aluminum plants in Canada other than Kitimat.

The President stated with great emphasis that as far as he was concerned Canada was our partner in any war, and that, therefore, in these matters Canada could not be treated differently from the United States. Accordingly, he found no difficulty in accepting Mr. Flemming's addition.

The National Security Council:

Adopted the recommendation of the NSC Planning Board contained in paragraph 3 of the reference memorandum, subject to the revision of the last sentence to read as follows: "In fact, reliance on Kitimat, as well as reliance on other Canadian sources of aluminum, is in consonance with the long-standing plan of the United States and Canada to share their resources in time of war on a continental rather than on a national basis."

Note: The recommendation referred to above subsequently approved by the President and transmitted to the Defense Mobilization Board through the Director of the Office of Defense Mobilization.

[Here follow a report by Secretary of State Dulles on his recent meetings in London with British Foreign Secretary Eden and French Foreign Minister Bidault, and a briefing by Director of Central Intelligence Dulles on significant world developments affecting United States security.]

7. *Security of Strategically Important Industrial Operations in Foreign Countries* (NSC 163; Progress Report, dated June 8, 1953, by the Under Secretary of State on NSC 29 [3])

The National Security Council:

a. Noted the reference Progress Report on the subject by the Under Secretary of State.

b. Adopted the statement of policy in NSC 163 subject to the following revisions:

(1) *Paragraph 3-a-(2):* Substitute "arrange for the conduct of" for "conduct".

(2) *Paragraph 3-c:* Revise to read as follows:

"c. The Central Intelligence Agency will provide, from time to time at the request of ODM, intelligence appraisals of the nature and extent of the threat of sabotage to the security of each of the listed facilities; and, in exceptional circumstances with the concurrence of the Department of State, will conduct covert surveillance of such facilities."

Note: NSC 163, as amended, subsequently approved by the President and circulated as NSC 163/1.

[Here follow a brief report by Cutler on the government employee security program and a discussion of the implications of Soviet nuclear weapons tests during 1953.]

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[3] The tenth progress report, not printed, was very similar to the eighth progress report, dated Jan. 21, 1952, p. 822.

S/S-NSC files, lot 63 D 351, NSC 163 Series

Statement of Policy by the National Security Council [1]

TOP SECRET
NSC 163/1

WASHINGTON, October 24, 1953.

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[1] Concerning the origins and revisions of this statement of policy, see the memorandum by Armstrong to Dulles, Oct. 19, 1953, p. 1028, and the NSC memorandum of discussion of Oct. 22, *supra*.

SECURITY OF STRATEGICALLY IMPORTANT INDUSTRIAL OPERATIONS IN FOREIGN COUNTRIES

1. The security of strategically important industrial operations in foreign countries is important to the national security of the United States. U.S. efforts aimed at maintaining, and where feasible, improving, the security of its most important and vulnerable foreign sources of supply, should be continued.

2. A feasible program limited to the few absolutely essential foreign installations should be carried out as follows:

a. The program will be limited to (1) foreign-owned foreign facilities listed in Annex 1–A; and (2) U.S.-owned foreign facilities listed in Annex 1–B supplementing, as necessary, action within the capabilities of the U. S. companies.

b. The Director of the Office of Defense Mobilization, after coordination with the Department of Defense, will be permitted, in the event that the supply situation of any material, whether or not listed in Annex 1, deteriorates or improves substantially in relation to war needs, to add to or delete from the list one or more facilities involved in its production, processing or transportation.

3. Responsibility for implementing the program should be as follows:

a. The Director of the Office of Defense Mobilization will:

(1) Administer the program in coordination with the Departments of State and Defense and the Central Intelligence Agency.

(2) Arrange for the conduct of surveys, where feasible, of the security of the listed facilities and devise plans for their protection, utilizing available facilities of other agencies so far as practicable.

b. The Department of State will determine the feasibility of and will conduct any negotiations with foreign governments which will be required under the program. Where appropriate, security and intelligence liaison channels will be used in arranging for foreign cooperation.

c. The Central Intelligence Agency will provide, from time to time at the request of ODM, intelligence appraisals of the nature and extent of the threat of sabotage to the security of each of the listed facilities; and, in exceptional circumstances with the concurrence of the Department of State, will conduct covert surveillance of such facilities.

4. Administration of the program by the ODM will take into account the appraisals made by the CIA, as well as the assurances received from responsible governments or private companies, in determining the need for surveys of facilities and in recommending protective action to be taken.

5. Expenditures for surveys and protective measures in Fiscal Year 1954 should not exceed $25,000 and $75,000 respectively, from funds to be provided by the Department of Defense, the Office of Defense Mobilization or the Central Intelligence Agency, subject to the approval of the Director of the Bureau of the Budget.

Annex 1

A. FOREIGN-OWNED FACILITIES

1. COBALT

Belgian Congo

(a) (1) Union Miniere du Haut Katanga (Belgian) processing facilities (concentration, ore treatment, and refining) in Katanga Province;

(2) Three hydroelectric stations in same province; and

(3) Other facilities, if any, which on the basis of further investigation prove to be of equal or greater importance to the entire operation. (The mines have been omitted because production is scattered and involves surface operations not specially vulnerable to sabotage.)

(b) In 1951 this source provided about 90% of U.S. supply of cobalt and it is estimated that during the first year of an emergency about 65% of our requirements will come from this source, 25% from domestic supply, and the balance from the stockpile (of which 40% is on hand).

2. NICKEL

Canada

(a) (1) International Nickel Co. of Canada smelter at Copper Cliff, Ont., and

(2) International Nickel Co. of Canada refinery at Port Colborne, Ont.

(b) In 1951 U.S. obtained 93% of its supply from Canada. Estimates during the first year of an emergency about 80% of requirements will come from Canada. The stockpile is only 15% complete.

3. BAUXITE

Surinam (Dutch)

(a) (1) Billiton & Co. (Dutch) mines at Ovverbacht, Para Creek District, 25 miles southeast of Paramaribo. These mines supply about 25% of Surinam production, the remaining properties being American-owned; see B–3 below.

(2) Port Facilities at Moenga.

(b) U.S. obtained 52% of its supply of bauxite from Surinam in 1951. It is estimated that during the first year of an emergency 40% of requirements will come from that country.

Trinidad (British)

Transhipping facilities. The availability of Surinam bauxite is dependent on port facilities in Surinam plus transhipping facilities in Trinidad.

4. PETROLEUM

Curacao (Dutch)

(a) Shell Company (Dutch) refinery at Wilhelmstadt.

(b) This refinery has crude charging capacity of 350,000 B/D. With the U.S.-owned refinery of Aruba (see B–4 below) it represents the principal means of refining Venezuelan petroleum production. Although at present a large part of the output is marketed in Europe, large reliance is placed on it for U.S. wartime supply.

5. COPPER

Chile

Principal companies are U.S.-owned. (See B–5 below)

B. U.S.-OWNED FACILITIES

1. COBALT—(NONE)

2. NICKEL

Cuba

(a) Nicaro Nickel Co. refinery, Oriente Province.

(b) Produces 30 million lbs. nickel oxide per year; about 14% of the U.S. requirement during the first year of an emergency.

3. BAUXITE

Surinam (Dutch)

(a) U.S.-owned mines, accounting for 75% of Surinam production.

(b) See A–3 above.

4. PETROLEUM

Venezuela

(a) U.S.-owned producing fields and refineries, principally located in Lake Maracaibo area.

(b) Approximately 70% of U.S. petroleum imports in 1952 came from Venezuela, normally after refining at Curacao and Aruba. State Department progress report of June 8, 1953 indicates over-all security situation spotty, with Creole Company having the only complete security system under which regulations are enforced and adequate equipment maintained.

Aruba

(a) Standard Oil of New Jersey refinery; crude charging capacity of 470,000 B/D.

(b) With the Dutch-owned refinery at Curacao, it represents principal means of refining Venezuelan petroleum. (see A–4 above)

Indonesia

(a) Standard Vacuum Co. refinery at Palembang; capacity 72,000 B/D.

5. COPPER

Chile

(a) U.S.-owned (Kennecott and others) production, power and transportation facilities (including ports)

(b) In recent years from 10 to 20% of U.S. copper supply has been imported from Chile. It is estimated that during the first year of an emergency 20% of our requirements would come from that country. The stockpile is approximately 53% complete.

Editorial Note

On November 5, 1953, the National Security Council approved a revision of NSC 152/2, dated July 31, 1953, page 1009, in order to deal specifically with the question of Hong Kong and Macao as weak points in the Western effort to continue strict controls on trade with the People's Republic of China. The revision, which entailed the addition of one paragraph (no. 17) under "General Considerations" and two paragraphs at the end of "Courses of Action," is more fully described in volume XIV. The revised statement of policy, subsequently designated NSC 152/3, was dated November 6, 1953. On March 15, 1954, another revision, entailing the inclusion of one additional paragraph at the end of "Courses of Action," was undertaken by the National Security Council in order to reduce to the general COCOM level the restrictions previously imposed on Japanese trade with the People's Republic of China. A memorandum of the NSC discussion of this issue on March 11, 1954, is printed *ibid.* Finally, in June 1954, pursuant to the high-level discussions concerning the reduction of the International Lists on export controls, the National Security Council again revised NSC 152/3. For the text of NSC 152/3 as revised on June 18, 1954, see page 1207.

460.509/11-1053

The Chief of the Operations Mission in the United Kingdom (Gordon) to the Department of State[1]

SECRET

No. 1714

LONDON, November 10, 1953.

Ref: Embassy Telegram 1996, November 7, rptd Paris Topol 48, pouched other addressee missions as shown and other communications cited.[2]

Subject: U.S.-U.K. Pre-CG Bilaterals—1st Session (November 3-6, 1953[3])

Excon. This despatch contains an overall review of the above-noted bilateral talks and supplements the following previous reports (the subject of trawlers will be dealt with in connection with the separate U.S.-U.K. shipping discussions which began November 9).[4]

A. Embtel 1964, Nov. 5, rptd Paris Topol 45—Preliminary report.

B. Emb desp 1678, Nov. 5, copies pouched missions below—Texts of papers used.

C. Embtel 1963, Nov. 5, rptd Paris Topol 44—China Controls (UK)

D. Embtel 1972, Nov. 6, rptd Paris Topol 46—CHINCOM Chairman.

E. Embdesp 1683, Nov. 6, copy Paris (USRO)—Transactions controls.

F. Embtel 1996, Nov. 7, rptd Paris Topol 48—Summary Nov. 6 meeting.

G. Embtel 2001, Nov. 7, rptd Paris Topol unn—TV transmitter case.

H. Embdesp 1696, Nov. 9, copy Paris (USRO)—China Controls (US)

I. Embtel 2007, Nov. 9, rptd Paris Topol unn—Anti-biotics

J. Embtel 2006, Nov. 9, rptd Paris Topol unn—"Impact" information

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[1] Gordon was Minister for Economic Affairs of the Embassy in London.

[2] Not printed; it reported that the British positions at the bilateral meetings were not final, and summarized the tentative views of the British negotiators on several of the questions discussed below. (461.419/11-753)

[3] The U.S. Delegation consisted of Lincoln Gordon and Frank D. Taylor of the Embassy in London, Goodkind and Camp of the Department of State, J. M. George of the Department of Commerce, Kenneth R. Hansen of the Foreign Operations Administration, Col. C. M. Moffatt of the Department of Defense, and Sidney B. Jacques, the U.S. Delegate to COCOM.

[4] For reference C, see volume XIV; regarding reference F, see footnote 1 above; the remainder, none printed, all deal with various aspects of East-West trade controls, as described in the despatch.

A. U.S. Presentation (see ref. B)

1. The U.S. presented its position to the U.K. in the form of an opening statement by the head of the U.S. delegation (ref. A—enclosure 1). This statement began by reviewing developments which led to a re-appraisal by the U.S. of economic defense policies in the light of other new policy developments, new Soviet trading tactics, the generally improved economic situation in Western Europe and certain changes in the relative economic conditions and problems of Western Europe and the Soviet Bloc—particularly the shift from a sellers' market to a buyers' market resulting in more internal pressure for sales to the Soviet Bloc.

2. The U.S. statement recognized that the U.S. approach to East-West trade and the approach of other countries in COCOM have appeared to be increasingly divergent in the appraisal of the kind or intensity of action called for by the current situation.

3. The U.S. then reviewed in general terms the results of its reassessment of the situation as it is now reflected in U.S. policy. The major points were:

(a) The West is faced with a long period of tension short of war but always with a serious risk of war, and regardless of conciliatory gestures made by the East, the motives of the East must be viewed with suspicion and skepticism.

(b) During this long period of tension, trade between the free world and the Soviet Bloc should not be discouraged but must continue to be subject to selective strategic controls designed to create a clear advantage to the West. We recognize the potential political advantage of the maintenance of contacts between East and West, particularly in the satellites. Our attitudes and programs must be such as to keep open paths leading to a sounder basis for peace and not increase the possibility of war.

(c) Although the Western European economic situation has improved, there continue to be economic, financial and political problems bearing on the economic defense program and these must be taken into account.

(d) It appears that the USSR is changing its tactics in its economic relations to the West and trade is playing an increasing role in Soviet strategy.

(e) The economic defense program is an integral part of the total mutual security effort of the free world.

(f) We must be aware of a danger of excessive dependence of the West on Soviet markets and sources of supply since this dependence enables the Soviets to demand the inclusion of strategic commodities as a consideration to the continuance of purchases of non-strategic commodities or the supply of essential goods. This dependence might also permit the Soviets to influence the political policies or disrupt the economies of the free world countries.

4. In specific terms of the security export control program our broad conclusion is that while the basic concept and general objec-

tives of the program have not changed, modifications in emphasis and direction are called for as follows:

(a) The main shift in emphasis should be away from pre-occupation with commodity listings to the development and enforcement of more effective controls.

(b) The second principal shift in emphasis should be the consideration of all aspects (political, economic, etc.) of the problem involved in the shipment of strategic goods rather than the concentration, as heretofore, on the strategic importance of the shipments, and the evaluation of the *quid pro quo*.

(c) Full multilateral consideration should be given to problems such as shifts in Soviet trade tactics which affect the movement of strategic goods to the Soviet Bloc.

5. As far as the unilateral policies of the United States are concerned, the review is likely to result in the following:

(a) The principal change will probably be a tightening in the criteria used by the United States in determining commodities for control.

(b) It is probable that the United States will introduce few new items for international control, will bring less pressure on other countries to bring the international listings to the level of current U.S. lists, and will display a greater willingness to consider proposals for reclassification of items when such proposals are adequately supported. However, the U.S. does not envisage at this time a wholesale down-grading program. Although we are engaged in a review of list items we do not intend to undertake an immediate review of the entire list in order to delete therefrom as many items as possible. The U.S. does intend, however, to review some essential categories for the purpose of bringing these listings up to date.

6. The following specific proposals concerning COCOM terms of reference were made by the U.S. for submission to the CG. ("Basic Considerations" paper and amplifications—ref. B, enclosures 2, 3, 4):

(a) The Consultative Group should reaffirm its basic objectives and general policy.

(b) In considering proposals for the shipment of strategic goods to the Soviet Bloc by any country, COCOM should discuss more fully than has been the practice in the past the social, economic and political reasons underlying the proposals. COCOM should also explore possible alternatives to the proposed export.

(c) The above broadening of discussions would be expected to make COCOM discussions more realistic and would enable the identification of the basic problem in such a way as possibly to point toward solutions other than shipment of strategic goods.

(d) The CG/COCOM should also encourage exchanges of views concerning trends and shifts in Soviet Bloc trade tactics which affect the movement of strategic goods or lead to a dangerous reliance on Soviet sources and markets. In this connection, the U.S. does not suggest a duplication of the NATO Working Group on

Soviet Trends but believes that NATO—as well as the CG—should expand its discussions and that the problem posed by differences of membership should not be a bar to fruitful discussions in both forums.

7. The U.S. made the following proposals in the enforcement field:

(a) The immediate establishment of transaction controls (ref. E) and the adoption of the TAC scheme.

(b) More effective dealing with diversions and other leakages. This enforcement matter is an operating problem of how best to identify, intercept and prevent diversionary shipments and to agree on specific ground rules to deal with complex cases. The basic principles in the development of such a system should be as follows: (See points A–I, attach. 4 to ref. B)

1. The responsibility for preventing diversions of shipments is a cooperative one shared by all PCs.
2. Primary responsibility for the control of the final destination of strategic goods rests with the exporting country, irrespective of the residence of the owner of these goods. Participating countries should see that, as far as possible, these controls are not frustrated by diversions in their countries.
3. There should be a full use of information and enforcement services and other means for the detection and subsequent investigation of the illegal shipments.
4. Whenever a diverted shipment is identified, each participating country has the responsibility of notifying the country of origin immediately and of taking prompt action to gain effective control of the shipment.
5. If the participating country stopping the shipment does not have the proper facilities for maintaining effective control, the shipment should be returned to the country of origin immediately.
6. Failure to agree on the responsibility for the diversion or for costs arising out of the demurrage or shipping charges or other administrative details are not sufficient reasons for delaying return of the shipment promptly to the control of the country of origin or failing to maintain effective control by the country of transit as long as necessary.
7. In case of disagreements as to the responsibility for the diversion or for costs arising from it, COCOM should be empowered to offer advisory opinions to participating countries as to where the responsibility would seem to lie and how demurrage and shipping charges should be shared in individual cases.
8. The Secretariat of the Coordinating Committee should be enlarged and should be empowered to assist the efforts of individual countries by coordinating action in diversion cases either upon the request of the participating countries involved or,—when the diversion is uncovered in a non-PC (e.g. Austria)—at the suggestion of the PC which first becomes aware of the diversion provided that the participating countries concerned concur.

9. Exchanges between PCs of technical experts responsible for enforcement activities should be encouraged.

B. U.K. Preliminary Views

1. The U.K. response to the initial U.S. presentation made the following points (ref. A):

(a) The U.K. saw a continued need for a strategic export control program and felt that periodic exchanges of views on the matter of controls were desirable. However, from the U.K. point of view, this exchange was somewhat premature since the U.K. was engaged in its own overall review of economic defense policies. Until such review was complete, the U.K. would be unprepared to give positive and immediate support to any specific proposals of the United States. However, the U.S. proposals would be considered in conjunction with the determination of U.K. policies, which would be hastened as much as feasible.

(b) The preliminary views of the U.K. are that the present control system, which was basically devised in 1949 through 1951 at a time when war was considered more imminent than it is today, is too cumbersome for the period which both the U.S. and the U.K. consider will be one of "tension short of war" for an indefinite time. The long listings and rigid procedures result in international and domestic friction and the U.K. feels that a substantially curtailed list which would be very tightly controlled, perhaps with no exceptions whatever, would be better suited for the future. Such control would be politically defensible, easier to maintain, and would permit a real expansion in legitimate trade. Political and commercial considerations make it necessary to attempt a rather marked departure from present programs rather than a gradual transition. For such purposes it would obviously be necessary to undertake a large scale review of present commodity listings. The U.K. recognized that this was not the present intention of the United States, and that the U.S. approach was more gradual.

(c) The U.K. feels that, despite general statements to the contrary, the actual approach of the U.S. on non-strategic East-West trade is different from that of its partners in COCOM—the one being negative, the other positive. While the U.K. recognizes that some countries might face a danger of too much reliance on the Soviets and might be susceptible to Soviet pressures, they do not feel that these dangers are very real at the present time.

(d) The U.K. does not feel that the recent changes in trading patterns and tactics by the Russians are to be viewed primarily as a tactic in the Cold War, but are rather inclined to view them as primarily reflecting a Soviet desire for trade motivated by internal economic and political factors.

(e) With respect to the U.S. views on the more flexible attitude toward exceptions, the U.K. requested the U.S. views on this matter be developed in more detail and stressed the importance they attach to the U.S. understanding the U.K.'s inability to provide in every case a specific *quid pro quo* justification in the absence of trade agreements or other strict trade-barter deals. The U.K. also stressed the importance of speedy and effective action on exceptions cases and pointed out that the case of the television transmitter is still unsettled after almost a year of discussions (see ref. G).

(f) On the general problem of the expanded scope of discussions, the U.K. felt that consideration of all essential reasons for a shipment was desirable but considered this was already permitted. The U.K. felt that there was a danger that broadening discussion too far beyond present limits would tend to get COCOM into subjects well beyond its competence.

(g) Regarding the U.S. desire to expand enforcement activities, the U.K. recognized enforcement was a serious problem and needed considerable attention. Their tentative view was that the establishment of new COCOM Secretariat machinery was probably undesirable.

C. *Enforcement*

Considerable time on Nov. 5 and 6 was devoted to a review of a) the magnitude of the diversion problem, b) types of diversions (specific cases), c) evidence of lack of coordinating among PCs, and d) examples of action by the U.S. unilaterally to prevent or halt diversions.

There was no disagreement by the U.K. representatives that the problem was of serious magnitude and that effective action should be taken. They stressed that as far as U.K. controls were concerned, transshipment controls were adequate, and they felt our study should be addressed principally to the question of the controls of other countries.

The U.K. representatives exhibited a keen interest in U.S. organization for collection, dissemination and coordination of diversion information and action both in the U.S. and abroad. This was described in general terms. On the working level they recognized the complexity of diversion cases and the necessity for exchange of information on a continuing basis in order that each PC might have all the necessary data on which to take action.

In the working party points 1, 2 and 3 of the 9-point outline (see para. A5[*7*]b, 1–9[5]) were fully agreed and supported by the U.K.

With regard to point 4 it was suggested that the word "prompt" be changed to "the best possible action". The U.S. representatives agreed to this change.

Points 5, 6 and 7 caused the most difficulty in the opinion of the U.K. representatives. They pointed out that 5, 6 and 7 did not properly apply in a case of a country such as the U.K. where physical transshipment control was operative nor would they apply under the TAC scheme. For goods which enter the customs zone of the U.K. in any manner which requires a license for re-export or transshipment, no problems of demurrage, or the necessity to return the shipment to the country of original jurisdiction arises. The goods are simply not allowed to move for lack of a license, and U.K. authorities have no responsibility or interest in the disposal of the items as long as they do not leave the country in an unauthorized manner. Thus, no requirement would exist for any special arrangement as proposed in 5, 6 or 7.

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[5] Presumably a reference to Part A, paragraph 7b of this despatch.

On the other hand, on the basis of the U.S. exposition of the situation in other PCs where physical transshipment controls were not in operation, the U.K. representatives agreed that the problem required some special procedure. They seriously questioned whether other PCs would agree to point 5 in its present form—but even more important, felt that adoption of the procedure in 5, 6 and 7 might be seized upon by other countries as a substitute for TAC which is in their view indispensable to adequate control of transit trade.

Accordingly, the technical representatives suggested that, in effect, 5 be revised to cover the TAC scheme by some such statement as: "PCs should use transit control powers to stop unauthorized diversions". They realized this was an obvious and over simplified statement, but actually covered the major area.

There was some discussion of the best manner of providing an interim procedure to deal with diversion problems pending adoption of the TAC scheme in order to meet the problem of inadequate legal basis of action on diversion cases. . . .

The U.K. representatives undertook to examine this problem further and to develop proposals to deal with these problems.

The U.K. working party representatives showed an acute awareness of the irony of the situation in which it was generally agreed that TAC was a considerable part of the answer to the diversion problem but the U.K. at the moment was almost solely responsible for the lack of general adoption of that scheme. It is expected that additional internal pressure to get transaction controls adopted in the U.K. will result from these discussions.

With regard to point 9 there is little question that the U.K. officials on the working level strongly support this proposal and will endeavor to achieve agreement on this point: U.K. officials pointed out that wherever contacts of a formal or informal nature are established there is a marked increase of coordination and easing of difficulties in operating the system.

D. Soviet Tactics and COCOM Terms of Reference

1. In a small working level session on November 5, the U.K. representatives outlined their appraisal of recent Soviet trade trends and tactics, and responded to U.S. questions. The U.K. made the following comments:

(a) The U.K. agrees with the U.S. that potentially the Soviets can readily use trade for political purposes. However, although the danger clearly is there, the U.K. feels the Russians have made surprisingly little use of this power. As an example, they cited the Russian failure, after the Moscow Economic Conference, to make good on promises of large textile orders at a time when the British textile industry was seriously depressed. (The U.S. representatives pointed out that the Russians did place such orders in France and Italy, where, unlike the U.K., elections were imminent.)

(b) The Russians are now shopping for a wider range of goods, but, at least so far as the U.K. is concerned, the Russians are pressing for no greater proportion of strategic goods than before, and it is roughly the same strategic goods which they are seeking (there is an obvious Russian interest in List II items, particularly ships, lead and electrical machinery). However, they are now much better acquainted with strategic trade controls and are definitely doing more linking—that is, they are relating more directly the receipt of strategic goods along with the non-strategic.

(c) There are two new developments which the U.K. believes noteworthy in this trade situation. The first is that although the Soviets are still asking for the same strategic goods, the Western European (including British) exporters are now, because of market conditions, far more interested in acceding to such requests, and the U.K. Government is feeling greatly increased pressure from its own exporters. The second development is the increase in visits by trade delegations. The U.K. concedes that these visits are frequently inspired from Moscow, but feels that a considerable impetus from Western Europe also lies behind them. (Further note was taken of the establishment in Western Europe of organizations such as Cofraci, for the promotion in handling of Soviet trade.)

(d) The U.K. representatives posed the following questions: Are the Soviets presently motivated by internal pressures? Are the Soviets still working toward an autarchic economy? The U.K. felt that the answers to both questions is "Yes". In relation to the first question, the Soviets have to make good to some extent on the promises recently made to the peoples in the satellites and in the USSR. But rather than importing large amounts of consumer goods, the U.K. expects the Soviets to import machinery and raw materials to make consumer goods, and to give more emphasis to agriculture in the satellites.

(e) In relation to the second question; the U.K. agreed that East-West trade would never solve any of the West's major economic problems and that there was not really a large potential for trade with the Soviet Bloc. The U.K. spokesman pointed out, however, that certain raw materials from Soviet sources are still vital to the U.K. and Western Europe.

(f) The U.K. emphasized its intention of keeping a firm control over imports from the Bloc in order to maintain U.K. bargaining power. However, as a general matter, in the field of raw materials which the U.K. must continue to import, U.K. policy is to let the Soviets compete in world markets.

(g) In response to specific questions, the U.K. spokesman said the only difference in trade tactics between the USSR and the satellites is one of strength, the USSR being in a much stronger position. Regarding Soviet oil, the U.K. thinks the Bloc's long-term needs will sop up its supply, but in the short run they will continue to have surpluses to dispose of.

There was some discussion of the desirability of exchanging information among the Western countries on Soviet trade trends and tactics and of the manner of accomplishing this objective, with the U.S. putting forward its suggestions for some secretariat functions in this connection. The U.K. was less certain than the U.S. on the advantages to be gained from the exchange of information but approved to concede the desirability of at least limited discussion of such matters in COCOM. The U.K. was inclined to oppose any COCOM secretariat assignment in this connection, but agreed to consider the U.S. suggestions and to make a further response when the plenary talks are resumed on or about November 19.

E. Other Matters

During the course of general discussions both the U.K. and the U.S. had occasion to refer to important subjects which, although they were outside the scope of the pre-CG talks, had some relation to the general discussion. Although these matters have been reported separately by reference cables, brief summaries are provided below:

1. *Anti-biotics* (see ref. I). Several weeks ago the U.K. approached the U.S. in Washington stating that for political reasons it would be necessary for them to decontrol anti-biotics in the immediate future. After extended inter-agency discussions the U.S. decided not to oppose the eventual decontrol at the end of the year at which time current quotas would run out. It was felt necessary not to agree to decontrol prior to that date. Such views were repeated during the bilateral talks in London. The U.K. reiterated its view for immediate decontrol. After hearing further U.S. argument, the U.K. took the matter under consideration. It is anticipated that the U.K. will notify the U.S. before it takes further definitive action.

2. *China List Review* (see ref. C). The U.K. indicated that they desired an early review of the Special China List. The purpose of such a review would be to determine, in advance of a Far East settlement, what controls should be retained after such settlement to fit the special case of China so as to prevent a sudden and wholesale scrapping of the present controls. The U.S. took a strong line against review at this time arguing that the nature of future controls might depend on the nature of the settlement achieved, if any, and an estimate of future Chinese intentions. A premature review of controls might set a pattern for the future which would be inappropriate in the actual circumstances. Further, the fact of such review might become known to the Chinese. It was agreed to discuss this matter further at the Trilateral Pre-CG talks.

3. *Chairmanship of CHINCOM* (see ref. D). The U.S. and the U.K. agreed that Mr. Charpentier should ask the Belgium Government for an extension of Mr. Vaes' assignment for a further period. The preference was for an indefinite extension, but it was concluded that a three month interim extension would be more feasible in order to avoid complicating this matter with consideration as to the Committee's future.

4. *The Impact of Controls* (see ref. J). As a result of a statement by the U.S. that the control program had affected the Soviet Bloc war potential in certain areas, the U.K. requested elaboration of U.S. views on the effect of past control measures on the Soviet Bloc and particular areas which we now felt were susceptible to further pressure of the control program.

5. *Trivial Exceptions.* The U.K. stressed the significance which it attached to prompt resolution of the existing differences on trivial exceptions (minimum shipments). The U.S. indicated its willingness to have further technical discussions on this subject which, accordingly, was scheduled for November 10.

F. U.K. Views at Final Meeting (see ref. F)

At the final meeting on November 6, the U.K. suggested that the bilateral discussions be resumed on November 19 at which time they hoped to have more definite positions.[6] With respect to the specific points raised in the discussions, the following U.K. preliminary views were expressed:

1. *Lists*—The U.K. noted that the U.S. was engaged in a program involving the tightening of criteria through the determination of new attributes and standards, but that the U.S. did not envisage a wholesale review at this time. The U.K. still felt tentatively that there was a real need for a curtailed embargo list with a possible elimination of the List II concept.

2. *Soviet Trade Tactics*—The U.K. again expressed its initial opposition to giving COCOM too broad a mandate for such discussions. They felt ordinary exceptions cases would develop the necessary information on this subject without periodic debates by COCOM. However, they would consider whether further exchange of information is possible and desirable and would also consider the best method of doing this.

3. *Exceptions*—The U.K. would attempt to draft a statement on considerations to be weighed in exceptions cases. This statement might form the basis for a joint proposal to the CG.

4. *Diversions*—The U.K. agreed that this is a problem which cannot be ignored, but felt rather strongly that the solution to the

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[6] For an account of the second session of the U.S.-British talks, which actually opened on Nov. 20, see telegram 2206 from London, Nov. 21, p. 1061.

problem did not lie in the establishment of a new section in the COCOM Secretariat. They would consider this problem and try to come up with a solution which would permit more prompt and more effective exchange of information.

5. *Transactions Controls* (see ref. E)—The U.K. noted the U.S. statement calling for U.K. adoption of transactions controls. They indicated that the matter would be considered by ministers and that the ministers would be made aware of the U.S. views.

6. *China Controls* (see ref. H)—The U.K. noted the strong U.S. objections to their suggestion that an early review of the China List be undertaken.

7. *Other Subjects*—The disposition of other problems raised in the course of discussions is shown in the immediately preceding section.

LINCOLN GORDON

398.2544/10-2353

The Deputy Assistant Secretary of State for Economic Affairs (Kalijarvi) to the Assistant Secretary of the Interior for Mineral Resources (Wormser) [1]

CONFIDENTIAL WASHINGTON, November 10, 1953.

DEAR MR. WORMSER: Our meeting on October 22 was most helpful to me and I was happy to have the opportunity to discuss our respective approaches to the problem of international commodity agreements. I have subsequently received your letters of October 22 and 23,[2] and wish to acknowledge Mr. Lewis' letter of November 2 [3] on the same general subject.

Your letter of October 22 reiterates your opposition to international commodity agreements. I know that for the sake of the record you will also wish to note that we exchanged views on basic economic philosophy and agreed that we both strongly support free enterprise in the traditional American sense. Our fundamental objectives are therefore the same. It is in our approach to these objectives that we may differ. We noted that the Department of the Interior is primarily subject to the pressures of national and domestic considerations, while the Department of State has, in addition to domestic considerations, responsibility for the most effective and orderly relationships between the United States and other governments. In the light of this, I believe we concluded that the best interests of the United States dictate that in matters of tin and other international commodities we seek a position which will permit our respective agencies each to perform its responsibilities.

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[1] Drafted by Deputy Assistant Secretary Kalijarvi and Nichols on Nov. 9, and cleared with Assistant Secretary for Economic Affairs Waugh.

[2] For the letter of Oct. 22, see p. 1029; the letter of Oct. 23, not printed, transmitted the draft list of instructions prepared in the Department of the Interior for use by the Department of State in issuing guidance to the U.S. Delegate to the U.N. Conference on Tin. The list was not attached to the copy of the letter in Department of State files. (398.2544/10-2353)

[3] Not found in Department of State files.

With regard to the draft instructions for our delegation to the tin conference, you indicated your desire for an expression of lack of enthusiasm on the part of the United States for this project and proposed that the role of the United States delegation be a purely passive one, except where United States interests are involved. My rejoinder was that such a role would deprive the United States delegation of powers and activities to the point where it would be placed on the defensive every time it moved. Thus, it would be at a distinct disadvantage as compared with other delegations, and serious doubts could be raised as to the effectiveness of such a role in protecting United States interests.

As I recall, you said you did not find our draft instructions objectionable, but that your memorandum of comment was an indication of your thinking.

You voice grave concern over the sacrifice of fundamental American economic freedoms as too great a price to pay to create political stability. I appreciate your concern on this matter, but doubt that these are the alternatives. Surely, the beneficiaries of the International Wheat Agreement do not feel that they have sacrificed any liberties or freedoms by participation in the Agreement. The people who appeared before Congressional Committees to testify in support of the Wheat Agreement were farmers, who as a group are among the most ardent supporters of our basic concept of economic freedom. In addition, most of the important segments of the United States sugar industry are strongly supporting our participation in the recently negotiated Sugar Agreement. Our own Vice-President has within the past few weeks made public announcement of the urgency of tin and rubber stabilization, and I submit that, like the farmers, he too is very jealous of fundamental American economic freedom. The matter of international commodity agreements, therefore, is neither all black nor all white, but calls for a judgment in each instance as to whether or not the basic interests of the United States will be forwarded and promoted by participation.

Thus, you will appreciate that I cannot agree that the principle at stake in considering the issue of commodity agreements is: "Shall we abandon our position of fostering open competitive markets in the sphere of foreign trade, while insisting upon it domestically, or shall we hope that, through the example we have set for the world of what an open competitive system can accomplish for a people, the rest of the world will slowly, but surely, imitate our example, just as Germany has begun to do?"

Starting from the point that the basic concept of the United States Government is a presumption against entering into international commodity agreements, the question in each instance is whether a particular commodity constitutes a problem by itself that calls for exceptional treatment, namely an agreement regulating production, marketing and pricing over, above and beyond the ordinary freedom of competitive trade in international affairs. Thus, you will see that the International Wheat Agreement and the Sugar Agreement constitute exceptions to our rules, exceptions which have been heartily supported by affected groups in this country. There was no opposition expressed in the hearings held on renewal of the International Wheat Agreement when it came up for ratification by the Senate during the last session of Congress.

Tin today constitutes a problem by itself. You are familiar with the relevant facts; but permit me to repeat here two considerations that make tin a most urgent problem internationally and one directly related to the security interests of the United States. The first consideration is that our stockpiling in tin has been proportionately larger than in other commodities. Therefore, the relatively abrupt discontinuation of stockpiling has had a direct bearing on the existence and the size of the international imbalance in tin. Countries like Indonesia and Malaya have not been slow to point out this fact to us. As to the second consideration, the Soviet bloc, which needs tin, has not been able to stockpile that commodity over the past few years because of our stockpile buying. That situation could be changed as a result of a persistent surplus. An international agreement in tin, therefore, possesses security aspects which merit special consideration.

We believe that the United States has real interests at stake in the forthcoming conference on tin. These interests can be taken care of effectively only by our exerting a positive influence on the form of any agreement that may be produced and this influence can be exerted only through our participating as a negotiator. It may not be amiss in this connection to note that the Industry Advisory Committee at its July 29 meeting in the Department of Commerce was overwhelmingly of the conviction that the United States delegation should take an active part in any tin conference which might be held to negotiate an agreement. Moreover, the representatives of the tin consuming industries in the United States have made clear that their attitude toward an agreement would depend upon the specific provisions actually negotiated.

Sincerely yours,

THORSTEN V. KALIJARVI

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 170th Meeting of the National Security Council on Thursday, November 12, 1953[1]

TOP SECRET EYES ONLY

Present at the 170th meeting of the Council were the President of the United States, presiding; the Secretary of State; the Secretary of Defense; the Acting Director, Foreign Operations Administration; and the Director, Office of Defense Mobilization. The Vice President was out of the country and so did not attend this meeting. Also present were the Secretary of the Treasury; the Acting Secretary of the Interior (for Item 1); the Secretary of Commerce (for Item 1); the Director, Bureau of the Budget; the Chairman, Atomic Energy Commission (for Items 2, 4 and 5); the Secretary of the Navy (for Item 1); Robert Murray and Louis Rothschild, of the Department of Commerce (for Item 1); Robert Finley, Office of Defense Mobilization (for Item 1); General Ridgway for the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; The Assistant to the President; Robert Cutler, Special Assistant to the President; C. D. Jackson, Special Assistant to the President; the Acting White House Staff Secretary; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

There follows a summary of the discussion at the meeting and the chief points taken.

1. *A National Petroleum Program* (Progress Report, dated October 1, 1953, by the Director, Office of Defense Mobilization, on NSC 97/5; Memo for NSC from Executive Secretary, same subject, dated October 28, 1953; NSC 97/5)[2]

After Mr. Cutler had briefed the Council on the background of this report, he asked Mr. Flemming to speak first on the general content of the Progress Report and thereafter on the two specific recommendations of the Planning Board to amend NSC 97/5.

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[1] This memorandum of discussion was prepared on Nov. 13 by Deputy Executive Secretary of the National Security Council Gleason.

[2] NSC 97/5, July 24, 1953, is not printed, but see footnote 3, p. 1003; the progress report on NSC 97/5, not printed, described the funds appropriated and committed and the contracts let in pursuit of the objectives of the petroleum program; the memorandum by Lay transmitted a list of amendments based on the Oct. 1 progress report to be considered for inclusion by the NSC in a revised NSC 97/5. (S/S-NSC files, lot 63 D 351, NSC 97 Series)

Mr. Flemming first reviewed the status of U.S. alkylite capacity, and thereafter the status of the stockpile of aviation gasoline.

Mr. Cutler then explained the proposed amendments to NSC 97/5, and called the Council's attention to the Financial Appendix.

There then ensued a discussion of the costs and the rate of building the additional 20 new tankers, in the course of which Secretary Weeks stressed the importance of going ahead with this program for building the additional tankers in order to keep U.S. shipyards in action. Unless the new program were adopted, the outlook for employment in American shipyards was extremely dim, and Secretary Weeks thought they might close down entirely after two years. He accordingly recommended that the proposed four-year period for the construction of this second increment of tankers be cut down from four years to two years.

Mr. Rand called attention to the fact that if congestion resulted from a speed-up of the construction period, there was plenty of room to build tankers in shipyards in Western Europe, and that, moreover, the costs of construction would be much less.

Mr. Cutler then explained the second recommendation of the Planning Board, with respect to a shift from a planning to a construction program for new pipelines by private industry.

Mr. Flemming explained that strictly speaking he was merely requesting authorization to develop such a program and not to initiate it at once. While some interest was being shown by private industry in building pipelines, there was no certainty as yet that private industry would be willing to do the job.

With regard to the possibilities of converting such pipelines from gas to oil in the event of war, the President pointed out the difficulties which would be involved in a sudden conversion from gas to oil, which would upset the economies of large areas in the east. He therefore doubted the practicability of such a conversion.

Secretary Tudor stated that the Petroleum Administration for Defense had much the same doubts on the subject as those expressed by the President. Secretaries Humphrey and Wilson indicated similar uncertainty.

At the conclusion of the discussion, Mr. Flemming asked Secretary Anderson if he had given any thought to the desirability of a pipeline to the West Coast. Secretary Anderson said that he had already asked the Joint Chiefs of Staff to look into the question, and he meanwhile thought that it might well be desirable to have a pipeline to the West Coast.

Secretary Weeks suggested that great caution be exercised in this matter, since the effect of additional pipelines would of course be to displace tankers, the number of which we had just been at pains to increase.

The President commented that he trusted that we would not attempt to solve our problems in duplicate.

The National Security Council:

a. Noted the reference Progress Report by the Director, Office of Defense Mobilization, on the subject.

b. Adopted the amendments to NSC 97/5 transmitted by the reference memorandum of October 28 subject to the following changes:

(1) *Paragraph 1:* Change "four-year period" to read "period of between two to four years".

(2) *Subparagraph 2-b-(4):* Revise to read as follows, and delete the footnote:

"(4) In developing such program, (a) explore the practicability of obtaining part of the capacity provided for in subparagraph (1) above by the conversion of the Big Inch pipeline from gas to oil, in the event of war, and (b) reexamine the practicability of the previously-approved program for conversion of the Little Big Inch pipeline from gas to oil."

Note: The amendments referred to above subsequently approved by the President. NSC 97/5, as amended, subsequently circulated as NSC 97/6.[3]

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[3] *Infra.*

S/S–NSC files, lot 63 D 351, NSC 97 Series

Statement of Policy by the National Security Council[1]

TOP SECRET
NSC 97/6

WASHINGTON, November 16, 1953.

A NATIONAL PETROLEUM PROGRAM

GENERAL CONSIDERATIONS

1. A supply of petroleum and petroleum products adequate for military and essential civilian requirements is vital to the security of the United States and the free world.

2. In the event of a war in which all Middle East oil producing territories, Burma, and parts of Western Europe are lost, available supplies of petroleum products will fall far short of meeting indicated minimum requirements, both at the outset and during the war, unless drastic action is instituted at once. Although deficien-

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[1] In addition to the statement of policy printed here, NSC 97/6 consists of a cover sheet, a memorandum by Lay transmitting the paper to the members of the NSC, a table of contents, and a financial appendix.

cies will exist in crude oil, basic refining capacity and inland transportation, the most serious risk to our national security stems from the shortage of production of alkylate (an essential component of aviation gasoline) and in tankers.

3. These conclusions are the result of a study predicated on a four and one-half year war to begin July 1, 1953,[2] but they are equally applicable to a shorter war. For whatever period shorter than four and one-half years a war may last, the annual requirements will be at least as large as the annual requirements projected for the four and one-half year period.

4. If the courses of action described below are adopted and vigorously implemented, it will, however, be possible to meet minimum wartime requirements, except that shortages during the first year of war, primarily in aviation gasoline and tankers, will in any event exist. Certain of these courses of action involve construction, purchase and other action prior to the outbreak of war. Others, though limited to construction to commence after war begins, involve present planning for that construction.

5. The assumptions of paragraph 4 with respect to the correction of wartime deficiencies are subject to the important condition that manpower and materials will be available in sufficient quantities. There is at present no completed government-wide study which appraises petroleum requirements for manpower and materials against competing essential wartime needs. Although it is not now possible to predict with any accuracy the nature and extent of specific shortages in manpower and materials which will be disclosed by a government-wide study now in preparation, it is certain that shortages will exist.

6. To the extent that the assumed D-Day is postponed beyond July 1, 1953, the difficulty of achieving a wartime balance in crude petroleum, under the assumption of loss of the Middle East, will steadily increase. Retention of Middle East sources of supply will accordingly grow in importance, as will the need for developing and expanding all other possible sources. Therefore, in the formulation of policy with respect to Middle East countries and the determination of the proper future level and disposition of our military strength, the increasing importance of the Middle East as the greatest known source of petroleum must be recognized. At the same time the hazards of wartime petroleum transportation from the Middle East must also be considered. There must also be increasing emphasis on sources of liquid fuels which are not now conventional, as an alternative protection to the free world's position.

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[2] For excerpts of the study under reference, PAD Report No. 435, Dec. 10, 1952, see p. 901.

OBJECTIVE

7. It should be the objective of the United States to develop and insure, in conjunction with its allies, resources which will provide an adequate supply of petroleum products to meet the combined requirements of the United States and its allies in a future major war.

COURSES OF ACTION

Current Programs Requiring Action (other than planning) Before the Outbreak of War.

8. *Expansion of Alkylate Capacity.* Accelerate efforts to obtain expansion by private industry by December 31, 1954, of 30,000 barrels per day (B/D) aviation alkylate capacity (in addition to completion of all projects now under way, including 5,800 B/D additional alkylate capacity already contracted for under the "Facilities Contract Program").*

9. *Review of Aviation Gasoline Requirements.* Review annually the requirements for aviation gasoline (and related needs for alkylate capacity) with special reference (a) to the effect on such requirements of the increasing use of jet aircraft and the eventual decline in military use of the reciprocating engine, and (b) the possible greater use for non-combat tasks of lower octane fuels, where such substitution will not involve loss of efficiency.

10. *Stockpiling of a Mobilization Reserve of Aviation Gasoline.* Stockpile sufficient mobilization reserve of aviation gasoline to meet wartime deficits from D-Day to the date when production will meet demand.

11. *Creation of a Tanker Reserve of 175 T–2 Equivalent.*

a. As a general objective, provide a mobilization reserve of 175 T–2 equivalent laid-up tankers in order to meet initial wartime deficits and to create a tanker ship-building base capable of expansion to meet wartime needs, with the understanding that the quantitative limits of such objective shall again be reviewed not later

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*The Progress Report by the Director of the Office of Defense Mobilization on NSC 97/5, dated October 1, 1953, which was noted by the Council at its meeting on November 12, 1953, states: "Against the approved program goal of 30,000 B/D of additional alkylate capacity 17,500 B/D are now assured, with an additional 4300 B/D expected to be completed during CY 1955. In the judgment of PAD the balance of 8200 B/D could be met by further resort to the Facilities Contract device, though not before the target date of December 31, 1954. Both that agency and the Office of Petroleum Programs, Department of Defense, consider, however, that under the circumstances further resort to that device would be warranted only if the government's purchase of aviation gasoline (by which the cost of construction is ultimately met) is attractively priced or involves a strategic location. PAD and Defense believe, however, that the 30,000 B/D goal should be retained." [Footnote in the source text. Concerning the progress report under reference, see footnote 2, *supra.*]

than December 31, 1953, and annually thereafter, and that the implementation of specific programs in aid of such objective, except as hereinbelow provided in subparagraph b, shall be subject to the further consideration and action by the Council.

b. Implement immediately, including submission to Congress of a request for necessary authority and funds, a trade-in and build program to result in the construction in the United States of about 20 new tankers (not exceeding 40 T-2 equivalents) capable of a sustained sea speed, loaded, of not less than 18 knots.

c. Implement a program for (1) the construction by private industry, in return for a 10-year Military Sea Transportation Service (MSTS) charter, of 20 new tankers capable of a sustained sea speed, loaded, of not less than 18 knots, the execution of the contracts for, and the delivery of, the new ships to be phased over a period of between two to four years, and (2) the placing in reserve, as the new ships are delivered, of about 37 tankers now owned by the government and operated by MSTS.

d. Review further immediately, in consultation with industry, the feasibility and cost of implementing with oil companies or independent tanker operators, a trade-in and build program to supplement the program provided for in subparagraph a, with a specification for a sustained sea speed, loaded, of not less than 18 knots.

e. Review immediately, loss factors, and mobilization requirements, for tankers, in the light of projected sustained sea speeds, loaded in excess of 16 knots.

12. *Methods of Producing Liquid Fuels.* Continue research in, and development of, methods of producing liquid fuels from nonconventional sources; specifically, continue the applicable Bureau of Mines program.

13. *Elk Hills Pipeline Hook-up.* Expand an existing privately-owned pipeline to the Los Angeles area in order to insure that the potential production of the Elk Hills Naval Reserve will be available in the event of war.

14. *Oil Imports.* Resist further restrictions on imports of petroleum and natural gas *from the Western Hemisphere* in order to assure maximum development and wartime availability of Western Hemisphere resources, with the understanding that the Secretary of the Interior, in coordination with the Secretary of State, the Attorney General, and the Director of the Office of Defense Mobilization, will give continued scrutiny to the volume of oil imports from all sources, with particular relation to any significant adverse effect on the development of domestic resources.

15. *Development of Resources in Conjunction with Allies.* Explore further with our Allies ways and means of developing, particularly in the Western Hemisphere, increased petroleum resources for

wartime use, with special reference to the dispersal of available resources and facilities within the Western Hemisphere.

16. *Construction of Two Pipelines for Crude Oil Transportation in Wartime.*

a. It would be infeasible, were action to await the outbreak of war, to construct within six months after D-Day (1) a 30-inch crude oil pipeline along the "Big Inch" right-of-way and (2) a further 30-inch pipeline from the vicinity of Lima, Ohio, to the Philadelphia-New York area, as previously proposed.

b. Develop a program for the construction by private industry of two pipelines as follows:

(1) A pipeline from the Gulf Coast to the East Coast, if possible, built for peacetime operation as a gas line, which would be capable within six months after D-Day of transporting crude oil at the rate of about 540,000 barrels per day.

(2) A further pipeline from the vicinity of Lima, Ohio, to the Philadelphia-New York area, built for peacetime operation either as a crude, gas, or products line (or, in lieu thereof, an enlargement of the pipeline referred to in subpar. (1) to handle the same material as such pipeline between the vicinity of Lima, Ohio, and the New York-Philadelphia area), which would be capable within six months after D-Day of transporting crude oil at the rate of about 400,000 barrels per day.

(3) In developing such program, determine the amount of any costs to the government which may be involved, including (a) the cost (both prior to D-Day and thereafter) of converting the two pipelines from their peacetime operation to the transportation of crude in the volumes specified, and (b) any added cost of the tanker program.

(4) In developing such program (a) explore the practicability of obtaining part of the capacity provided for in subparagraph (1) above by the conversion of the Big Inch pipeline from gas to oil, in the event of war, and (b) re-examine the practicability of the previously-approved program for conversion of the Little Big Inch pipeline from gas to oil.

c. Submit a report of progress with respect to the foregoing to the National Security Council by January 1, 1954, with any recommendation considered appropriate.

Programs Requiring Current Planning for Action After the Outbreak of War

17. Periodically review methods for imposing quick and drastic wartime rationing of civilian petroleum supplies.

18. Complete plans, including estimate of material requirements, for the maintenance throughout the war of (a) active exploration for oil, and (b) a drilling program of 50,000 wells annually in the United States and 6,300 annually in foreign countries, principally the Western Hemisphere.

19. Complete plans, including estimate of materials requirements, for (a) the construction of 500,000 B/D refining capacity in the United States to be started immediately after the outbreak of war (to supplement construction of 1,300,000 B/D Free World refining capacity which will be under way on July 1, 1953, and (b) the conversion as soon as possible after D-Day of 400,000 B/D of thermal cracking capacity to crude topping operations.

20. Complete plans for construction of 60,000 B/D additional alkylate capacity to be started immediately after the outbreak of war; and develop a specific operating plan for United States refiners which will maximize wartime aviation gasoline production.

21. In order to minimize tanker requirements for the intercoastal movement of petroleum and provide needed flexibility in other petroleum transportation equipment, develop detailed plans:

a. To expand four existing pipelines within 60 days after D-Day;
b. To reverse, also within 60 days, the flow of certain Pennsylvania pipeline systems (either four or five);
c. To convert the "Little Big Inch" pipeline from gas to oil.

22. Develop an effective program for construction after D-Day of 175 T–2 equivalent tankers within the first six months and 310 annually thereafter. The annual requirement after the first six months will be increased from 310 to 350 (and the over-all wartime requirement from 1582–1732) in the event that the programs provided for in paragraph 21 above are not implemented.

23. Continue planning, in conjunction with allies who will participate in the defense of the area in a major war, to maintain the flow of oil from the Middle East for as long as practicable.

24. Complete plans, in conjunction with other Western Hemisphere countries, for the most efficient and economical wartime use of Western Hemisphere petroleum resources. Such resources, including facilities for transportation, should be handled jointly in wartime in a manner to obtain the best results, without regard to points of origin or cross-boundary shipments.

Study of Feasibility

25. With respect to each of the above courses which contemplate construction or other action after D-Day (including completion of construction in process at that date), make immediate intensive study of the feasibility of completing such construction within the time required, with particular reference to the competing demands of other military and defense supporting programs for manpower and materials.

26. To the extent that programs herein provided for are found to be infeasible, report to the National Security Council, with recom-

mendations for any needed enabling legislation or additional funds to be requested from the Congress.

27. A finding of infeasibility may require that we (a) create before D-Day reserves of materials, components or tools for which shortage may exist after D-Day, or alternatively (b) transfer to the period before the outbreak of war part or all of the construction now planned to begin after D-Day. For example, decisions may be required in case it is concluded that there will be a post D-Day production shortage of oil country tubular goods for drilling, of components for alkylate plant expansion, or of turbines, gears or valves for tanker construction.

Editorial Note

On November 16, 1953, there convened in Geneva an International Tin Conference attended by delegates from several tin-producing and -consuming nations. Instructions for the United States Delegate, Dudley W. Figgis, were prepared by the Administrative Assistant to the President, Gabriel Hauge, in consultation with the Departments of State, Treasury, Interior, and Commerce. A copy of these instructions, dated November 10, which cautioned that the presence of a United States Delegate did not necessarily mean United States assent in principle to an agreement, is in file 398.2544/11-1053. By early December, the delegates to the Conference had prepared for submission to their respective governments an agreement designed to support the price of tin on the international market. The agreement was opened for signature in London from March 1 to June 30, 1954, and it appeared at the time that the failure of the United States to sign would cause certain failure of the agreement. (Telegram 176 from Geneva, December 9, 1953, 398.2544/12-953) For the reaction of the United States Government to this agreement, see the memorandum of conversation, January 25, 1954, page 1071.

Editorial Note

On November 16 and 17, 1953, a United States Delegation consisting of Henry R. Labouisse, Harry Conover, and Robert B. Hill of the Embassy in Paris; Sidney B. Jacques of the U.S. Delegation to COCOM; and those officials from the various agencies in Washington named in footnote 3, page 1039, held three sessions with a French Delegation in Paris headed by Pierre Charpentier to discuss overall policy toward East-West trade controls. Reports of these meetings were transmitted in despatches 1314, November 16; 1322, November 17; and 1343, November 18, all from Paris. (460.509/11-1653; /11-1753; /11-1853) In response to a United States presentation nearly identical to that made in London, November 3-6 (see despatch 1714, November 10, page 1039), the French indicated that they were generally in agreement with the United States position. The operative statement appears to have been contained in paragraph 4 of despatch 1314:

> "4. As to the general US policies, M. Charpentier stated that there appeared to be no French disagreement. France equally believed that the West should not endeavor to impose a blockade on the Soviet Bloc and that less emphasis should be placed in COCOM on discussions on lists and quotas and more on means of coping with violations of export controls. He would agree that the dangers of diversions were significant and that means of evading existing controls were now widespread. He therefore felt that every country should have the same type of controls. France, for example, has transaction controls that she believes are effective and which have yielded a great deal of information. Nevertheless, France does not propose to continue these transaction controls unless other countries are prepared to adopt similar ones. Thus, if the UK does not control transactions, France will discontinue its controls in this field."

461.419/11-2153: Telegram

The Ambassador in the United Kingdom (Aldrich) to the Department of State[1]

SECRET LONDON, November 21, 1953—4 p.m.

2206. Excon. Re Embassy telegram 1996, November 6 [*7*], repeated Paris Topol 48.[2] Following summarizes second US-UK pre-CG bilateral November 20 and 21:

1. UK presented detailed statement which represented preliminary conclusions their policy review. Statement indicated UK seriously considering fundamental change basic policy. Statement calls for replacement International Lists I and II by single very short embargo list with virtually no exceptions contemplated. Unclear whether items to be deleted from present lists would be retained on List III. Underlying objectives above program described as:

a. Facilitating maintenance of control system for long-term cold war;

b. Meeting need for expansion of export markets arising from growth of buyers market, German and Japanese trade revival, and anticipated further reduction US aid;

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[1] Repeated to Paris.

[2] Not printed, but see footnote 2, p. 1039.

c. Facilitating enforcement of controls by simplification and promotion of public support.

2. US statement took issue with basic conclusions of UK re necessity or desirability exclusion from future control those categories items which not of "near military" nature, which appears be basic issue underlying differing nature UK view and US policy re requirements and direction export control program.

3. In view obvious divergence basic criteria for scope control program, US felt CG meeting as scheduled would probably be useless and agreements on subsidiary points not meaningful without substantial amount on fundamental policy considerations. UK agreed CG should be postponed till after new year giving time UK reconsider above and allow time for joint resolution whatever divergences might still exist. Request Department confirm this position and instruct USDel for November 24 meeting.[3] Also request Department instruct other missions to refrain from connecting US-UK bilaterals and CG postponement. Instead reasons should be time element and pressure other commitments such as NATO and Bermuda.[4]

US offered and UK agreed desirability formal US Government position follow up preliminary delegation's view expressed today. Delegation will hand carry UK statement and Embassy hopes formal US position can be transmitted soonest. Complete US and UK statements being pouched Department and Missions.

ALDRICH

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[3] The Department of State replied to this request in telegram 2905 to London, Dec. 1, 1953, authorizing the Embassy to report to the British Government that the United States wished to "strongly affirm" the position taken by the delegation in London. (460.509/12-153)

[4] The references here are to the NAC Ministerial meeting in Paris in December 1953 and to the Bermuda Conference of Dec. 4–8, 1953; for documentation on these meetings, see vol. v, Part 1, pp. 454 ff. and Part 2, pp. 1710 ff.

460.509/12-453

Note From the Ambassador in the United Kingdom (Aldrich) to the Government of the United Kingdom [1]

SECRET [LONDON, December 3, 1953.]

EXCELLENCY: I have the honor to refer to the recent Anglo-American discussions on East-West trade. At the conclusion of those discussions the United States delegation expressed its profound concern at the serious divergence which appeared to exist between the policy of the United States and the tentative views put forward by the representatives of the United Kingdom concerning the nature of the controls on trade with the European Soviet bloc which is now required in our mutual security interest.

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[1] The source text was transmitted in despatch 2022 from London, Dec. 4.

I am now instructed to inform you that the United States Government has given most careful study to the statement made by the United Kingdom delegation on November 20 to which the United States delegation gave a preliminary reply on November 21. The United States Government fully endorses the views presented by the United States delegation at that time. My Government is greatly concerned at the possible course of action suggested by the United Kingdom and feels that so drastic a revision of the scope of the control system is not justified under present circumstances.

It will be recalled from the interchange between the United Kingdom and United States delegations that the problem apparently lies, not in disagreement concerning the nature of the international situation with which both countries are confronted, but rather in the apparent differences of view as to the nature and scope of a control system which will best stand the test of a long period of tension short of war and at the same time provide the level of control required by the ever-present risk of war.

These differences appear to center on the question of whether we should substantially curtail the scope of controls and control only items of a military or "near military" character or should continue to control other categories of items which have already been internationally classified as strategic, specifically including those items which are important to key sectors of the industrial base underlying the war potential of the Soviet bloc. On the United States side, it is felt strongly that the world situation requires the continuing control of items important to those sectors of the Soviet bloc economy which are particularly significant to the maintenance and build up of Soviet war potential. In addition, it is believed necessary to continue to recognize that certain capital goods and raw materials, whether or not currently used for the production of war materials, constitute a reservoir of productive capacity which could readily be mobilized for war production.

The need of the United Kingdom and other Western European countries to increase trade, both with the dollar area and with other areas of the world is recognized. However, it is not felt that any substantial expansion of export trade either can or should be induced by the elimination of controls over goods which are significantly strategic. Heretofore there has been general agreement among the countries cooperating in the control system that, in considering items for control, security considerations as distinct from trade considerations should be regarded as the dominant factor. The vastly curtailed control list tentatively suggested by the United Kingdom statement would appear to represent a substantial departure from this policy.

It is understood that the views put forward by the United Kingdom delegation on November 20 were of a tentative and preliminary nature and would be further considered in the light of any comments which the United States might wish to make. During the recent discussions, the United States delegation indicated certain lines along which the United States Government considers modifications in the control system to be desirable, and indicated the United States Government's readiness to consider the reclassification of specific items as well as other measures designed to make the controls more easily enforceable and to bring them into accord with the needs of the altered international position.

It is the hope of the United States Government that on further consideration the United Kingdom Government will find it possible to modify its earlier views so that the two Governments can proceed together very promptly to formulate a joint program of action for the future.

Accept [etc.]

WINTHROP W. ALDRICH

460.509/12-953

Memorandum by the Director of Foreign Operations (Stassen) to the Secretary of State

SECRET
INFORMAL AND PERSONAL

WASHINGTON, December 9, 1953.

Subject: East-West Trade

Supplementing our informal discussion on December 2nd[1] and pursuant to your request, I am submitting informally in memorandum form for your consideration the suggestion regarding East-West trade policy.

1. It is suggested that a very different and far-reaching alternative policy to our present East-West trade control policy is worthy of intense and prompt study. The new policy is not recommended by this memorandum, but the study of it by the Planning Board of

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[1] An excerpt of the conversation under reference is in file 460.509/12-453. The pertinent portion of the conversation reads as follows: "Mr. Stassen suggested consideration of the possibility of opening up trade with the Soviet bloc except for actual munitions. We appraised the pros and cons of this and I [Dulles] said I thought it deserved very careful consideration."

the National Security Council is recommended for your consideration.

A. Announce that in a major effort to move the world toward peace, trade would be resumed with the Soviet and with China, and with all Soviet Bloc countries in everything except the direct military and highly strategic mandatory items of the Battle Act, and that all free nations are encouraged to do likewise.

Preliminary consideration gives rise to these thoughts of advantages and disadvantages:

Advantages

1. It would be a dramatic initiative with a large impact on world public opinion.

2. It would multiply the contact through the Iron Curtain and broaden the relationship of Soviet Bloc residents with free nations residents.

3. The voluntary cooperation of the free nations with each other and with the United States would be easier to maintain.

4. The economic ills which arise in the free nations would not be blamed on United States control policy and the Soviet would have greater difficulty in stirring dissension toward the United States.

5. The Soviet may find it more difficult to retain their internal cohesion through coercion in the face of external board multination trade.

6. It may set in motion a chain of events which would finally resolve the grave armed threat now posed by the Soviet Bloc.

Disadvantages

1. If the Soviet commits aggression in the next five years, this broadened interim trade will have somewhat increased its military potential.

2. If the Soviet now has serious internal economic and consumer good difficulties, this new trade would ease their internal problem.

3. The maintenance of an adequate defense posture of the United States and of our associates vis-à-vis the Soviet may become more difficult if free world public opinion eases up as a result of the new trade policy.

4. Competition for trade with the Soviet Bloc may lead to extensions of credit by free nations to the Soviet, and hence a net input of matériel from the West to the Soviet.

5. The integration of Western Europe's economy may become more difficult to advance.

6. The new policy may seriously divide internal United States opinion.

Eisenhower Library, Randall Commission records, 1953–54

Memorandum by the Executive Secretary of the Commission on Foreign Economic Policy (Fleming) to the Members of the Commission [1]

CONFIDENTIAL [WASHINGTON,] December 15, 1953.

Subject: Interpretation of Consensus of Commission's Thought on East-West Trade

Trade between the free world and the Communist Bloc is a controversial, emotional, and important matter. It directly affects the economic welfare of our allies, and at the same time it directly influences international tensions, engendered by the Korean War and Communist threats elsewhere in the world.

Among the factors restricting this trade are the controls exercised by the free world over East-West trade such as: the United Nations resolution limiting exports to China; United States legislation which in effect embargoes United States war and strategic materials to the Communist Bloc and which conditions foreign aid upon co-operation of the recipient nations in this program; similar regulations set up by other countries in accordance with the recommendations of the international Coordinating Committee in Europe; and certain restrictions imposed by the United States Departments of Commerce and Treasury. The Communist Bloc is relatively independent of outside sources of raw materials and, either through necessity or as a matter of policy, it has been hastening its trend toward self-sufficiency and lesser dependence on international trade as it has continued to develop its military potential.

The controls of the free nations have been aimed at stopping their contributions of military materials to the building up of the Communist war machines in North Korea, Russia, and the rest of the Soviet Bloc. Therefore as presently exercised, these controls interdict the movement of war goods and strategic materials to the Communist countries. The United States interdicts the movement of all goods from this country to China.

The security interests of the United States and other free nations necessitate the continued exercise of controls on war goods and strategic materials so long as the Communist Bloc maintains its present menacing attitude. At the same time the psychological and economic importance of non-strategic trade between the free world and the Communist Bloc must not be overlooked. For the free world, this non-strategic trade represents a link with the people behind the Iron Curtain and a tangible symbol of our continued willingness to help ease international tensions and improve general living standards through trade. While the scope for enlargement of this trade is limited by the Communist Bloc's pursuit of self-sufficiency, nevertheless it is of material importance to the countries close to the Curtain and to those whose marketing of surplus productions would be benefitted. Furthermore, an increase in Western Europe's purchases of certain materials from Eastern Europe would tend to ease Western Europe's need for dollars. For the people of the Communist Bloc, this trade represents one of the few remaining contacts with the free world which makes it possible for them to see tangible evidence of the strength, productiveness, and good will on our side. The alternative is a complete division into armed camps which would promote differences and therefore heighten the existing tensions rather than easing them.

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[1] For further documentation on the work of the Commission on Foreign Economic Policy (the Randall Commission), see pp. 49 ff.

We therefore recommend that the attitude of the United States toward the expansion of bonafide trade in non-strategic goods between the free nations and the European Communist Bloc be one of affirmative approval. We recommend also that the classification of goods as between strategic and non-strategic be made realistically, so that international control efforts can be concentrated upon those commodities which are genuinely strategic in terms of modern warfare.

We cannot extend these recommendations to include furnishing of war goods and real strategic materials to any of the Communist Bloc while the cold war lasts.

Any recommendation as to trade with Communist China would be inappropriate pending further clarification of the Far East situation.

460.509/12-1653: Telegram

The United States Special Representative in Europe (Hughes) to the Department of State[1]

SECRET PARIS, December 16, 1953—5 p.m.

Polto 1045. Excon. Subject: Meeting 15 December between Stassen[2] and Maudling, Economic Secretary UK Treasury, re East/West trade controls.

Stassen expressed US disappointment that British position stated in pre-CG bilaterals in Nov implied controls should only extend to strictly military items. Cited various segments of general economy which can contribute directly to military buildup. While US therefore unable accept premise controls should be on purely military items US nevertheless will re-examine all specific items with view streamlining control lists.

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[1] Repeated to London.

[2] Governor Stassen was in Paris on the occasion of the North Atlantic Council Ministerial meeting; for documentation on this meeting, see vol. v, Part 1, pp. 454 ff.

Maudling's response covered following points:

1. UK appreciates importance of problem and is re-examining its position as stated in pre-CG bilaterals.

2. In deference UK public opinion, however, any modification existing controls must have following characteristics:

(a) Must be real bite on bloc economy;
(b) Must be seen to be real bite;
(c) Must be seen to involve comparable sacrifice by all PCs of market opportunities;
(d) Line demarcation between banned and unbanned items must be comprehensible to UK businessman.

3. With specific reference transaction controls, UK Government supported necessity this innovation but parliamentary reluctance introduce new controls requires that adoption scheme be coupled with clarification and some reduction general level of controls.

Stassen asked when UK would be prepared resume bilateral discussions, emphasizing urgency preparing for early CG meeting. Maudling somewhat hesitatingly said he thought early January feasible. UK authorities will notify American Embassy London when their re-examination completed and when they ready resume talks.

Airgram follows.

HUGHES

460.509/12–2453: Telegram

The Chargé in the United Kingdom (Butterworth) to the Department of State [1]

SECRET LONDON, December 24, 1953—1 p.m.

2760. Excon. Subject: UK East-West Trade Policy.

1. Informal discussions with British officials to date reveal UK still engaged in internal wrangling on issue short list versus longer detailed list. UK officials estimate clear UK position for resumed bilaterals will not be ready until latter part of January. In any event Embassy feels British position at best would be an application of principles stated by Maudling in conversation with Governor Stassen [2] and, while working down from long list rather than

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[1] Repeated to Paris.

[2] For a report on the conversation under reference here, see Polto 1045, *supra*.

insisting on completely new start, would still call for a significant degree of reduction in control area. Embassy does not expect that extreme position on short list will prevail in internal UK discussions, but proposal submitted to ministers for approval will probably reflect UK desire to make controls more rational, permitting some expansion of trade and making politically acceptable the introduction of transaction controls.

2. Above leads Embassy to believe that US must prepare itself to make a real move toward narrowing of control lists if multilateral agreement is to be achieved and international program is to operate effectively. In order to do this, a review of list with idea of eliminating merely obvious dead wood and retaining essentially all items now listed would be inadequate. We feel genuine attempt must be made to determine those areas of control where past controls have been least effective in preventing Soviet build-up and where downgrading or delisting of items would represent least injury to Western security. US concurrence in downgrading or decontrol of such items would have advantage in obtaining renewed vigor in application and enforcement remaining controls if UK and other PC's satisfied that remaining controls were useful and rational.

3. Since part of UK internal exercise is review of lists and since it is in our interest to buttress to greatest possible extent those UK elements resisting extreme short list idea, Embassy suggests it be authorized to give to UK officials new US attributes and standards and to explain how they are being used in US review. While there is some possibility that injection of attributes and standards at this time might result in UK desire to debate validity thereof, we feel that more likely result would be that UK might be inclined use same criteria in their review with added advantage that UK would have some idea of direction in which US now heading. Subsequent discussions could then be conducted on basis common starting point.

BUTTERWORTH

460.509/12-953

The Secretary of State to the Director of Foreign Operations (Stassen)[1]

SECRET [WASHINGTON,] January 21, 1954.

DEAR HAROLD: In your memorandum of December 9, 1953[2] you suggested that the NSC Planning Board be asked to re-examine our present policy regarding East-West trade controls and consider what you describe as a very different and far-reaching alternative. A discussion such as you propose would indeed be timely in the light of the recent British proposal as to what future Western policy in this field should be. However, I believe the Planning Board examination would be more fruitful if it had before it an estimate from the Intelligence Advisory Committee (IAC) as to just what the security and economic consequences might be for the free world if relaxation of controls to the extent suggested should occur.

Because of the political implications of such a relaxation, I hesitate to recommend a broad staff study of the problem as you pose it. On the other hand, since your suggestion and the British proposal are similar in many respects, it occurs to me that the facts necessary for the Planning Board's consideration could be obtained by merely requesting an evaluation of the probable effects of Western acceptance of the United Kingdom proposal. While such a study would not encompass a consideration of changes in controls against Communist China, those controls represent, of course, a special problem in any case because of the events in Korea. In the absence of signs of a radically altered Chinese Communist approach, this special problem should not be merged with the problem of controls over trade with the U.S.S.R. and its European Satellites.

The intelligence estimate would not of course consider any of the purely domestic impacts which might be anticipated from a proposal for a relaxed East-West trade policy. Such questions, if pertinent and material, could properly be considered by the National Security Council after it had had the benefit of an intelligence estimate of the foreign consequences. Similarly the method of implementing your proposal raises other questions which probably should be examined at that time should such a shift in policy be found desirable. For example, while a unilateral announcement would undoubtedly have a tremendous psychological effect, the complex series of understandings we have with other nations in this field could not be abrogated unilaterally.

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[1] Drafted by Buckle and Goodkind; cleared with Bonbright, Drumright, Kalijarvi, and W. Park Armstrong.

[2] *Ante*, p. 1064.

As to the immediate step before us, if you concur, I shall ask the Intelligence Advisory Committee to prepare against an early deadline a National Intelligence Estimate of the security and economic effects of the British proposal.[3]

Sincerely yours,

JOHN FOSTER DULLES

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[3] For the results of this request, see NIE-100-3-54, Mar. 23, 1954, p. 1121.

398.2544/1-2554

Memorandum of Conversation, by Francis G. Jarvis of the Office of Philippine and Southeast Asian Affairs

CONFIDENTIAL WASHINGTON, January 25, 1954.

Subject: Tin

Participants: Director of Foreign Operations Administration Stassen
Secretary of Treasury Humphrey
Mr. Dudley W. Figgis, Chairman of the U.S. Tin Delegation to Geneva Tin Conference
Assistant Secretary of Interior, Mr. F. Wormser
Mr. A. Flemming, Director, Office Defense Mobilization
Mr. Samuel Waugh, Assistant Secretary of State
Representatives of the Departments of Commerce, RFC, State and Other Agencies

Mr. Humphrey asked Mr. Figgis to open. Mr. Figgis spoke in complimentary terms regarding the assistance afforded him at the Geneva Tin Conference[1] by Mr. Nichols of the Department of State. Mr. Figgis proceeded to review developments on international stabilization of tin since 1946 to the present. Mr. Figgis noted that while he did not like commodity agreements, he is inclined to support a tin stabilization arrangement to benefit the tin producing countries which the U.S. is temporarily attempting to assist. Sale by the United States of the 35 to 40 thousand tons of tin which the U.S. presently holds above the stockpile goal would be devastating to them. Mr. Figgis noted that in his opinion the Randall Commission Report[2] does not rule against U.S. participation in *all* commodity agreements. (As Mr. Figgis continued it became apparent that he is not opposed to U.S. participation in a tin commodity agreement.) He then mentioned declining U.S. requirements for tin; titanium will soon be a competitor of tin in the U.S., developing an even more difficult situation for the tin producing countries.

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[1] Concerning the Geneva Tin Conference, November-December 1953, see the first editorial note, p. 1060.

[2] Concerning the Randall Commission Report, see pp. 49 ff. See also the memorandum by Fleming, p. 1066.

Mr. Humphrey discussed the present U.S. position on tin. He said that the U.S. now holds 40 thousand tons above the stockpile goal for which there is no immediate or foreseeable U.S. need. He continued that the U.S. is also obligated to make a "good faith" offering to Indonesia on a third year contract for 20,000 tons. Mr. Humphrey queried, "What is a good faith offer?" "What does the U.S. do with the sixty thousand tons of tin when acquired?" "What effect, if any, does the sixty thousand ton U.S. surplus have on the 'pool arrangement'?" "What should U.S. policy be on a tin agreement?" "Should we revise the stockpile goal upwards and add the sixty thousand tons of tin to the stockpile?"

Messrs. Waugh and Nichols stated that the political factors would have to be taken fully into account in any decision which the U.S. takes on tin.

A discussion of about an hour took place on all aspects of the U.S. tin situation and U.S. participation in a tin agreement.

The Department of Commerce representative stated that the Department of Commerce is opposed to U.S. participation in an international tin stabilization arrangement; he disagreed with Mr. Figgis' interpretation of the Randall Commission Report. The Department of Commerce representative interpreted the Randall Commission Report as opposed to U.S. participation in international commodity agreements.

Governor Stassen then suggested that it appeared to him that the U.S. had three alternatives available to it in tin: (1) to sign the draft agreement, (2) not sign, (3) encourage other countries to go ahead with a producer form of agreement and at the same time ask them to limit tin production. It appeared to be the opinion of the group, that at the same time the U.S. could not give the producer nations assurance that the sixty thousand tons of tin excess to the stockpile goal would be insulated by the U.S.

Mr. Humphrey then suggested that the group take a decision on three points: (1) that the U.S. pursue its present tin policy of smelting the balance of the 40,000 tons; shut down the Texas City Smelter, and then hold the tin metal off the market, (2) authorize the appropriate agencies to offer the Indonesians a fair price for the third year of the Indonesian contract; hold that tin metal off the market, (3) recommend that the U.S. refrain from participating in the "cartel arrangement" developed at Geneva or take no position at this time with respect to the draft tin agreement.

Mr. Stassen again asked the group to consider the alternatives earlier advanced by him.

It was then decided, at Mr. Humphrey's suggestion, to adopt the courses of action suggested by him in Items numbered (1) and (2) above and to take no position at this meeting with regard to U.S. participation in a tin stabilization arrangement. On this note the meeting ended.

Comment: As a result of this meeting, Mr. McKinnon of the RFC extended the period of negotiation with Indonesia to the end of February, during which time it is expected he will make the Indonesians an offer. Mr. McKinnon needs a written authority from high levels before he can implement the decision on the Indonesian contract. We expect this authority will be given the RFC as soon as the White House can arrange it, perhaps next week.

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 183d Meeting of the National Security Council on Thursday, February 4, 1954 [1]

TOP SECRET EYES ONLY

The following were present at the 183rd Meeting of the Council: The President of the United States, presiding; the Vice President of the United States; the Acting Secretary of State; the Secretary of Defense; the Director, Foreign Operations Administration; the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Secretary of Commerce (for Item 2); the Acting Director, Bureau of the Budget; the Chairman, Atomic Energy Commission (for Item 2); the Chairman, Joint Chiefs of Staff (for Items 3 and 4); the Director of Central Intelligence; The Assistant to the President; Robert Cutler, Special Assistant to the President; Mr. Max Lehrer, Department of Defense (for Item 3); the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

Following is a summary of the discussion at the meeting and the chief points taken.

[Here follow an oral briefing by the Director of Central Intelligence on significant world developments affecting United States security, and discussion of United States policy toward Yugoslavia and Formosa.]

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[1] This memorandum was prepared on Feb. 5 by Deputy Executive Secretary of the NSC Gleason.

4. *United States Objectives and Courses of Action With Respect to Indonesia* (NSC 171/1, paragraph 20; Memo for NSC from Executive Secretary, same subject, dated January 20, 1954; NSC Action No. 1020; Memo for NSC from Director, ODM, dated February 4, 1954 [2])

Mr. Cutler summarized the previous action of the Council with respect to the purchase of Indonesian tin, and then asked Dr. Flemming to report to the Council his recommendations as to how the action should be carried out.

Dr. Flemming then passed around to members of the Council a memorandum on the subject, which he proceeded to read (copy filed with the minutes of the meeting).[3]

Secretary Humphrey heartily endorsed the recommendations which were contained in Dr. Flemming's memorandum, and himself handed out copies of a chart which indicated the declining uses of tin in the U.S. economy (copy of this chart filed with the minutes of the meeting).[4] This, said Secretary Humphrey, shows what happens when you price yourself out of a market.

The President stressed the importance of seeing to it that the tin problem was now closed out, and that the Bolivians did not come back next year with a proposition to sell us still more tin.

Governor Stassen indicated that the FOA had been concerning itself with efforts to broaden the Bolivian economy so that it would not be so critically dependent on the export of tin.

The National Security Council:

Adopted the recommendations set forth in a memorandum presented by the Director, Office of Defense Mobilization, dated February 4, 1954, with reference to the handling and distribution of the United States surplus tin supply (including the amount to be purchased from Indonesia) and with reference to United States non-participation in the proposed International Tin Agreement, as amended in the light of the discussion at the meeting.

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[2] For text of NSC 171/1, "United States Objectives and Courses of Action With Respect to Indonesia," Nov. 20, 1953, see volume XII, Part 2. The Jan. 20 memorandum by Lay transmitted a memorandum by the Chairman of the Operations Coordinating Board in which it was recommended that the United States make a reasonable offer to purchase tin from Indonesia, despite the fact that the U.S. stockpile was complete, to support the Indonesian economy. NSC Action No. 1020 was the directive issued by the NSC at its meeting of Nov. 19, 1953, pursuant to its discussion of NSC 171 concerning Indonesia. The Feb. 4 memorandum transmitted to the NSC the decisions taken at the meeting of Jan. 25, recorded in the memorandum of conversation by Jarvis, *supra*.

[3] Presumably a reference to the Feb. 4 memorandum described in footnote 2 above.

[4] Not found.

Note: The above-mentioned memorandum, including the recommendations as amended by the Council and approved by the President, subsequently circulated for appropriate implementation.

[Here follows the conclusion of the meeting with the Council noting the status of NSC projects as of February 1.]

398.2544/2-1054

Memorandum by the Director of the Office of Philippine and Southeast Asian Affairs (Bonsal) to the Assistant Secretary of State for Far Eastern Affairs (Robertson)[1]

CONFIDENTIAL WASHINGTON, February 10, 1954.

Subject: International Tin Agreement

Problem

Assistant Secretary Waugh may call you to inquire whether you would support a Departmental effort to have the NSC reconsider its action of February 4[2] to the effect that the United States should not participate in the International Tin Agreement. (If he does so he will probably seek the views of the Assistant Secretaries for European Affairs and Latin American Affairs at the same time.)

Discussion

1. Economic affairs officers in E believe that the NSC action was taken without adequate consideration of the matter within the Department of State or elsewhere and was based upon a misunderstanding of the extent to which the Department had earlier concurred in recommendations which had been submitted by the Director of the Office of Defense Mobilization.

2. Sixty percent of the world's tin is produced in the countries of Southeast Asia. Embassy Djakarta and Consulate General Singapore (Embtels 845 and 430, see Tab A attached)[3] have both indicated that "US accession [to the International Tin Agreement] seems inexpensive way demonstrate US good will towards Southeast Asia and interest and recognititon problems. . . ."[4]

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[1] Drafted by Leonard S. Tyson of the Office of Philippine and Southeast Asian Affairs.

[2] See the memorandum of discussion of that date, *supra.*

[3] Neither printed; telegram 845 from Djakarta, Feb. 6, 1954, predicted a bitter reaction from Indonesia if the tin decision were not changed; telegram 430 from Singapore, Jan. 30, 1954, reported that the Malayan Government was very disappointed in the recommendation by the Randall Commission that the United States refrain from entering commodity agreements.

[4] Brackets and ellipsis in the source text.

3. Past US Government tin purchasing practices and policies have made US tin policy a matter of friction in our relations with Indonesia, Malaya and Thailand.

4. According to Embassy Djakarta, US signature of the tin agreement "if well timed, would probably improve bilateral diplomatic atmosphere for short period and might help counteract pressures for increased trade with China and USSR".

5. Both Singapore and Djakarta state that if US accession to the agreement proves to be contrary to US policy, it would be most desirable for the US to adopt a sympathetic attitude of "benevolent nonparticipation".

6. The U.S. Government participated in the drafting of International Tin Stabilization Agreement, which is now open for signature. The agreement would *not* cost the US anything other than a nominal contribution to the administrative costs. The contributions to the tin buffer stock would be made entirely by the tin-producing countries themselves. When their existing buffer stock becomes filled, the agreement provides that price stabilization is to be effected by curtailing production in the producing countries. Since tin metal is an insignificant portion of the cost of most of the products in which tin is used, it is unlikely that a tin stabilization agreement could have any significant effect upon the US domestic prices of these finished goods.

7. According to Mr. Figgis, former Chairman of the Board of the American Can Company and head of the recent US Tin Delegation, American manufacturers who use tin are much more interested in being assured of a regular supply than in the price of tin. He has concluded that the proposed International Tin Agreement would help assure a regular supply.

8. If the US refuses to participate in the agreement, and the agreement becomes effective by the acceptance of a sufficient number of other governments, the US will be criticized for its refusal to cooperate. Nonparticipation would be interpreted abroad as disapproval. Nonparticipation may very well discourage other governments from signing and bringing the agreement into force. The United States would then be blamed not only for its part in creating the basic problem by the American stockpile program, but also for blocking action which would ease the readjustment now that the stockpiling has ended.

9. The proposed agreement is a practical means of preventing deep depression in the tin industry. No effective alternative has been proposed. Participation in the agreement would not impose an appreciable burden on the United States. Our participation would be welcomed by all of the tin-producing countries as tangible recog-

nition of a difficult problem and a willingness to cooperate in international action to solve it.

10. The Administration has recognized in sugar and wheat that an intergovernmental commodity agreement may be justified in an exceptional case of special difficulties. The need for international regulation is particularly strong in tin and the obligations which would devolve upon the United States as a participating government are minimal. Unless, therefore, the United States is prepared to sign the tin agreement, it is difficult to imagine a willingness to consider participation in any agreement for a commodity (e.g., rubber) which is not produced in this country.

11. The underdeveloped countries led for the most part by Southeast Asian countries have in almost every international forum—the UN, ECOSOC, ECAFE, and the Colombo plan—pleaded for international stabilization of raw material prices. Since the Korean war price "boom" ended the terms and balance of trade have turned sharply against all the underdeveloped countries. This has contributed markedly to their internal instability and has enhanced the position of the Communist wing (e.g. Indonesia). Rightly or wrongly there is a widespread belief that the United States was directly responsible for the boom and bust. United States prestige throughout the entire area has suffered severely as a consequence. Failure of the United States to participate in a stabilization scheme which cannot cost the United States anything (aside from a nominal contribution to administrative cost), would be a direct victory for all the anti-American forces in the area.

Recommendation

It is recommended that you advise Mr. Waugh that FE believes that for strongly compelling political reasons the United States should sign the international tin agreement, and that accordingly FE would be pleased to join with E in a request to have the NSC reconsider its action.[5]

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[5] According to a letter from Clarence W. Nichols, Chief of the Metals and Minerals Staff, to Winthrop G. Brown, Deputy to the Minister for Economic Affairs at the Embassy in London, Feb. 26, 1954, the Department of State hoped to revive the issue of the tin agreement at the NSC meeting of Mar. 4. (398.2544/1-2854) There is no indication in the memorandum of discussion at the NSC meeting of that date that the issue was discussed. For the final position of the U.S. Government on the tin agreement, however, see circular telegram 314, Mar. 4, 1954, p. 1084.

460.509/2-1554

Paper Prepared for the NSC Planning Board by the Economic Defense Advisory Committee and the Advisory Committee on Export Policy [1]

CONFIDENTIAL [WASHINGTON, undated.]

THE RANDALL COMMISSION REPORT RE EAST-WEST TRADE [2]

Summary of the Section on East-West Trade

1. In response to the Planning Board request the following comments are submitted informally from EDAC/ACEP on the East-West trade sections of the Randall Commission Report. These comments should be considered as in addition to, and not in lieu of, the separate comments and recommendations requested by the President from the individual agencies.

2. The report specifically recommends:

a) "First, the present ban on exports by the United States to Communist China and North Korea and our efforts to secure similar action by others must continue until the present threats to our security and that of other free nations in those areas have been removed."

b) "Secondly, our present efforts to prevent exports to the European-Soviet bloc that might contribute to its military strength must continue until genuine peace is assured."

c) "The Commission therefore recommends that, so far as it can be done without jeopardizing military security, and subject to the embargo on Communist China and North Korea, the United States acquiesce in more trade in peaceful goods between Western Europe and the Soviet bloc."

The report notes further:

d) "Over and above these two categories of shipments there lies a possible area of trade between the East and the West in Europe in commodities which do not strengthen the forces of military aggression, a trade from which net advantage might accrue to the West."

e) "For many generations there has existed a broad historic pattern of trade in Central Europe that served to support the economies of countries that are now our allies. . . . [3] Since the unmasking of Soviet designs against Western civilization, in conjunction with other free nations we have sought to restrict that trade. *This*

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[1] The source text was one of several papers attached to a memorandum of Feb. 15, 1954, by Hope to Drumright. Hope's memorandum indicated that the paper had been transmitted to the NSC Planning Board during the week of Feb. 9 to form part of the material upon which a reevaluation of NSC policy on East-West trade controls would be based.

[2] For documentation concerning the Randall Commission report, see pp. 49 ff. Concerning the East-West trade portions of the report, see the memorandum by Fleming, Dec. 15, 1953, p. 1066.

[3] Ellipses throughout in the source text.

weakened the economies of friendly countries and increased their need for our aid.[*]

f) "When we terminate that aid there is grave question as to whether we should attempt longer to *prevent such friendly nations from availing themselves of their normal and historic trade pattern.*"[*]

g) "It may well be, moreover, that more trade in goods for peaceful purposes would in itself serve to penetrate the Iron Curtain and advance the day when normal relationships with the peoples of Eastern Europe may be resumed."

DISCUSSION

3. With regard to the first recommendation, the statement regarding the ban on exports to Communist China and North Korea does not coincide with the presently stated U.S. policy in one respect wherein it is stated "our efforts to secure similar actions by others must continue."

4. It is the present position of the U.S. with respect to other free countries' trade with Communist China that current levels of strategic trade controls, which are much more stringent than the system in effect against the Soviet bloc in Europe, should be maintained. Most of the other major trading countries of the free world have not been able, for reasons they hold to be valid, to accept the total embargo position of the U.S. and present policy, in recognition of the anticipated increase in pressure for relaxation of present strategic controls on the part of free world countries, directs that we "continue intensified efforts to persuade our allies to refrain from relaxing their controls."

5. The Commission further recommends that without jeopardizing military security and subject to the embargo on Communist China and North Korea, the U.S. "acquiesce" in more trade in peaceful goods between Western Europe and the Soviet bloc. This recommendation is in line with present U.S. policy but the use of the word "acquiesce" implies that we should not object to other countries engaging in trade which we ourselves are committed to forego. The fact is that, policy-wise at least, we are in no sense committed to forego non-strategic trade with the European Soviet bloc. Quite the contrary, several recent statements of U.S. policy by top level officials have emphasized our willingness to trade in non-strategic goods. The word "acquiesce" also implies incorrectly that the United States has not already indicated that it does not object to more "trade in peaceful goods."

6. It is not believed that strategic restrictions of the friendly nations on East-West trade have "weakened the economies of friendly

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[*] Underlining supplied. [Footnote in the source text. Printed here as italics.]

governments and increased their need for our aid", as stated in the Commission Report. The strategic controls may have had a cost to the free world countries from a balance-of-payments point of view, however, it is doubtful that the magnitude of any such costs could be said to have had a weakening effect on Western countries or to have increased their need for our aid. It has been the change in the traditional pattern of trade largely induced by Soviet policies which has had in the past an effect on the balance of payments and the aid requirements of the Western countries.

7. Another statement is made to the effect that "when we terminate . . . aid there is a grave question . . . whether we should attempt longer to prevent friendly nations from availing themselves of their normal and historic trade pattern." This arises from a misconception of what has been occuring in the over-all trade picture with the Soviet bloc since World War II. The process of rapid industrialization, collectivization and a sustained policy of seeking self-sufficiency on the part of the Soviets has been the major determining factor in altering the normal and historic trade pattern with the West. The report appears to leave the impression that it is possible for this pattern to be revived by actions on the part of the Western countries. In our view the economic conditions do not currently exist, nor will Soviet policy allow, a reinstitution of the traditional trade pattern.

8. Regarding the statements or dissents on the report, the first statement by Mr. Parker, Mr. Whitney, et al., gives rise to the mistaken impression that acquiescense by the U.S. in non-strategic trade with the Soviet bloc will establish a basis to reduce or terminate our aid. We believe these results would not follow. On the other hand valid reasons recognized by existing U.S. economic defense policy do exist for the U.S. continuing to interpose no objection to trade in non-strategic goods.

9. In this connection, the dissent of Mr. McDonald (page 77) contains within it a significant acknowledgment that there is a definite relationship between U.S. trade policy generally and the particular problem of East-West trade. Mr. McDonald has phrased the situation as follows: "Under these circumstances, it is unwise for the U.S. to frown upon trade between Western Europe and the countries in the Soviet bloc while, at the same time, failing to take adequate steps to facilitate increased trade between Western Europe and the U.S." These observations, though valid, were in the context of a dissent which took as its thesis that increased trade with the U.S. was a means for bringing about a total embargo with the Soviet bloc, an objective not in accordance with existing U.S. policy.

460.509/2-2654: Telegram

The Ambassador in the United Kingdom (Aldrich) to the Department of State [1]

CONFIDENTIAL PRIORITY LONDON, February 26, 1954—11 a.m.

3679. Excon. Re Embtel 3676, repeated information Paris Topol 136, February 26.[2] Churchill's statement contained reftel has caused considerable embarrassment to Foreign Office whom we have been pressing vigorously for past several weeks for definite word on new policy and resumption bilaterals. Foreign Office states delay in setting up resumed bilaterals due entirely fact Prime Minister has been personally involved in policy decisions and is now considering manner in which UK's position will be made known in detail to US (i.e., appropriate level). Foreign Office confirms that Cabinet has made final review and Cabinet's position translated into detailed proposals and expects resolution of "level of approach" problem in next couple of days.

Foreign Office in explanation Prime Minister's statement apparently gave press guidance which pointed out that UK's proposals for relaxation strategic lists will shortly be made in COCOM but that no changes will be made in lists until COCOM has considered UK's proposals. Purpose this move probably to dispel idea that UK had to get "approval" of policy from US, but press guidance now puts us in awkward position for conduct bilaterals since other countries will now have indication new policy and can be expected to urge earliest submission to COCOM. It is obvious that UK can count on support of most other PCs in relaxation proposals.

Embassy understands unofficially that UK's position will be proposal for embargo list of about 130 items, minimum number. List II items and willingness for negotiating purposes retain substantial List III although this last not part of proposal.

ALDRICH

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[1] Repeated to Paris.

[2] Not printed; it contained the text of a speech made by Prime Minister Churchill in the House of Commons on Feb. 25. (460.509/2-2654) The speech, which consisted mostly of a report on the results of the Berlin Conference, Jan. 25–Feb. 18, 1954, contained several paragraphs in which the Prime Minister advocated the relaxation of controls over trade between the Soviet Union and the United Kingdom. For the full text of the speech, see *H.C. Deb.*, 5th Series, vol. 524, pp. 582 ff.

460.509/3–154: Telegram

The Ambassador in the United Kingdom (Aldrich) to the Department of State [1]

SECRET PRIORITY LONDON, March 1, 1954—10 p.m.

3741. Excon. Following are points contained in United Kingdom memorandum, dated March 1 on over-all East/West trade policy, plus oral points made by Foreign Office. Immediately following cable [2] contains list of items proposed by United Kingdom for retention in abbreviated List I.

A. United Kingdom Memorandum. Her Majesty's Government has carefully considered United States views set forth in note of December 3, 1953.[3] Wish to confirm there is no difference between two governments in their appreciation of strategical situation, nor in importance attached to safeguarding security of countries participating in COCOM. Nevertheless, Her Majesty's Government firmly of opinion that West now in new situation vis-à-vis Soviet bloc as compared to that existing when present control system established and fresh appraisal of security system as whole required. It is common ground that while West must be prepared for any eventuality, most probable contingency for which West must be ready is prolonged period of tension short of war. This appreciation confirmed by results of Berlin Conference. There are number of reasons why substantial changes in control system required. Controls were drawn up over number of years when worsening political relations indicated possible early outbreak of hostilities. Circumstances have now changed and concept of long haul requires new strategic assessment in trade field. Her Majesty's Government has examined present lists on foregoing basis and draws particular attention to following factors:

First, if controls are to be effective over number of years embargo list must take account of high degree to which Soviet bloc can, within comparatively short time, be self-supporting. Similarly, items should be excluded which are incapable of effective control because of availability to Soviet bloc from other sources.

Secondly, effective control depends not only on technical control devices, but also on willing cooperation of trading community in West. If embargo list includes items not clearly strategic, control system will be brought into disrepute and political support will disappear.

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[1] Repeated to Paris.

[2] Telegram 3742, Mar. 1, 1954, not printed. (460.509/3–154)

[3] *Ante*, p. 1062.

Thirdly, with end of postwar readjustment period, West is experiencing growing necessity expand international trade in order provide for economic development and sound base for defense effort. There must, therefore, be overriding security reasons for continuance of restrictions on opportunities to expand sales to Soviet bloc and obtain required materials from Soviet bloc which exports will foster. There is no dispute about necessity for continuing denial of military and AE items, as well as industrial goods making direct and important contribution to Soviet bloc to overtake technological lead of West in defense field. However, in light of foregoing considerations, Her Majesty's Government considers there are in addition only comparatively small number of items of indirect military importance sufficiently significant to warrant continued embargo. It follows that concept of quantitative control over items of secondary importance is incompatible with new approach and present List II should be abolished. Her Majesty's Government has carefully re-examined existing lists and other items of potential importance and has drawn up revised list about half length of present IL I. New list contains all items Her Majesty's Government considers of sufficient importance to warrant embargo. If such list is now adopted by COCOM, necessary corollary is enforcement by all measures available. Her Majesty's Government would be ready to take further measures contributing to effective enforcement in particular transactions controls as part of cooperative effort in which other PCs would take equivalent action controlling both transshipments in their ports and financial dealings in embargoed goods. The introduction of transactions controls without a reduction in lists along proposed lines would entail serious internal political difficulties for Her Majesty's Government. Her Majesty's Government also favors joint publication of shorter embargo list as result new strategic appraisal.

Finally, Her Majesty's Government hopes that United States, after examining Her Majesty's Government's proposal, will join in proposing to COCOM the necessary revision of the present lists.

B. Oral Points.

1. Atomic energy items are not included in current United Kingdom proposal because of current discussions leading toward consolidation these items in separate list.

2. Because of pressures now being brought by other PCs and by Charpentier and D'Orlandi for early CG presentation of United Kingdom views, United Kingdom feels under compulsion agree to CG meeting "fairly soon". Foreign Office indicated possibly one month. Foreign Office would also like to inform Charpentier of new United Kingdom policy including lists and discuss with Embassy United Kingdom desire to have detailed discussions with French as

soon as possible. Embassy urged no decision on this point until Washington reactions received to which Foreign Office agreed.

3. Foreign Office also plans instruct United Kingdom delegation COCOM make statement along lines A above sometime this week in order meet pressures mentioned above. Embassy urged that any such statement be couched in most general terms and specifically that reference to abolishing List II be completely avoided in order that current discussions on trawlers and merchant ships not be brought to halt. Embassy also urged that, if such statement is to be made, no indication be given as to type of lists which would result, but rather that study still going ahead in this field.

4. British Ambassador, Washington, will be discussing with Department within next few days methods of handling situation created by new United Kingdom policy. Foreign Office would prefer that any resumed bilateral discussions be held in London and that no time be lost in resumption, due to time pressures created by Churchill's statement.

C. Embassy pouching complete text memorandum and three copies United Kingdom lists in event errors in transmission by cable. Also British Embassy will receive by Wednesday text these documents and McCall-Judson will be able to make them available to Department.

ALDRICH

398.2544/3-454: Circular telegram

The Acting Secretary of State to Certain Diplomatic Missions [1]

CONFIDENTIAL WASHINGTON, March 4, 1954—8:06 p.m.
PRIORITY

314. From State and FOA. US decision not sign International Tin Agreement will be given by Department on Friday March 5 to British Embassy for depository government and separately to Washington embassies other governments members International Tin Study Group. Embassy representatives will be invited to Department to allow opportunity discussion and delivery following *aide-mémoire:*

1. International Tin Agreement, terms of which established Geneva December 1953, open for signature March 1 to June 30, 1954. United States Government aware importance attached Agree-

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[1] This telegram was drafted by Nichols and cleared in the Office of the Assistant Secretary of State for Economic Affairs, the Offices of British Commonwealth and Northern European Affairs, Western European Affairs, South American Affairs, International Materials Policy, and the Foreign Operations Administration. Sent to London, La Paz, Brussels, The Hague, Canberra, Ottawa, Paris, Bonn, New Delhi, Rome, Lagos, Leopoldville, and Caracas for the Secretary.

ment by number governments, and also aware interest shown in question whether United States prepared participate. This Government has therefore given prompt and careful consideration to matter so other interested governments might be notified of decision at earliest possible time.

2. United States Government has decided not sign Agreement. In making decision known, however, wishes make clear its position if other governments which participated in negotiations should decide that it in their interest proceed with Agreement. It is entirely possible for Agreement, as negotiated, to operate without participation United States, since Agreement did not provide for contributions by consuming countries to buffer stock and since any action to reduce production to bring in line with consumption would be taken by producing countries themselves. United States therefore does not anticipate its decision will prevent Agreement from entering into force and wishes make clear it will have no objection to such action if other governments decide it is in their interest.

3. At Geneva Conference, number of governments expressed interest in disposition to be made by United States Government of tin stocks held and to be acquired in excess of strategic stockpile requirements. This Government has now decided it will hold these stocks in insulation and any withdrawals shall be made only at direction of President as in case regular stockpile materials.

Department prepared make following explanation orally if embassies' representatives inquire reasons US not signing: This Congress has heavy legislative program. Administration attaches great importance Congressional approval Trade Agreements renewal, foreign assistance, and other parts program already announced by President. Ratification of Tin Agreement very difficult if not impossible obtain in view opposition by American consuming industries. Submission Tin Agreement to Senate might interfere seriously other legislation.

Will avoid implying above is necessarily sole reason for decision. You authorized take such similar action with government at your discretion.

NSC decided US should take no formal position whether other governments should or should not implement Agreement, but authorized State and FOA informally encourage other nations to proceed with implementation among themselves. Accordingly, Department and FOA will so indicate to representatives in Washington but will make clear US Government is not urging such action. You authorized give similar indication in your discretion.

Will cable further instructions for press release. No public statement planned before Monday P.M. March 8.

Substantially similar cable being sent Djakarta, Bangkok, Tokyo, Singapore, and Kuala Lumpur.

SMITH

460.509/3-554

Memorandum of Conversation, by the Officer in Charge of United Kingdom and Ireland Affairs (Beale)

SECRET WASHINGTON, March 5, 1954.

Subject: British Policy on East-West Trade

Participants: Mr. Dennis Rickett, Economic Minister, British Embassy
Mr. Samuel C. Waugh, Assistant Secretary for Economic Affairs
Mr. Thorsten V. Kalijarvi, Deputy Assistant Secretary for Economic Affairs
Mr. J. A. McCall-Judson, First Secretary, British Embassy
Mr. John H. Stambaugh, Assistant to the Director, FOA
Mr. Beale, Officer in Charge, U.K. and Ireland Affairs

(The first part of the meeting was devoted to discussion of U.S. policy on a Tin Agreement. A separate memorandum of conversation has been prepared by Mr. Nichols, OMP.[1])

Mr. Rickett referred to the recent remarks of the Prime Minister concerning the desirability of increased East-West trade.[2] He said that a memorandum enlarging upon the Prime Minister's statement of policy had been submitted to Linc Gordon at our Embassy in London.[3] He explained that the British Government had taken a fresh look at the control of exports in light of the long haul. He said that the new policy was that there should be no relaxation of restrictions on exports of atomic energy materials and military goods but that List I should be reduced by one-half and List II should be suppressed. He said that the basic question was one of the area of goods deemed to be directly of strategic importance. He indicated that if lists could be agreed between the U.S. and U.K. the U.K. would be prepared to institute transaction controls.

Mr. Rickett said that in the discussions with Mr. Gordon certain suggestions regarding procedure had been made. It was their thought that, first, there would be bilateral discussions with the United States; second, they would hope to talk with the French as soon as possible; third, they would propose to make a general statement in COCOM; and fourth, they would ask the Chairman of the CG to summon a meeting. He emphasized that the first step involved discussions with the United States.

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[1] No memorandum of the discussion under reference has been found in Department of State files; presumably it is the one foreseen in circular telegram 314, *supra*.

[2] Regarding Churchill's remarks, see footnote 2, p. 1081.

[3] This is presumably a reference to the memorandum of Mar. 1 which was summarized in telegram 3741 from London, Mar. 1, p. 1082.

Mr. Waugh said that his offhand reaction was that it would be unwise to release any lists until there had been consultation between the U.S. and U.K., and that the subject would have to be reviewed within the United States Government. Mr. Rickett said that there was no intention on their part to release the lists to the CG, and release to the French would be subject to discussion first with the United States. Mr. Kalijarvi said that the United States' answer would have to be deliberate and considered. He said that the reaction to Sir Winston's statement on this side had been mixed. He pointed out that there were those who believed there should be no relaxation in East-West trade controls and others who felt that the Prime Minister's statement had been a breath of fresh air. Mr. Kalijarvi said that the problem would have to be considered at the highest levels in the U.S. Government.

Mr. Rickett asked whether Mr. Kalijarvi agreed that the bilateral discussion should be held right away. Mr. Kalijarvi replied that it seemed perfectly reasonable to him. Mr. Rickett suggested that a group should be sent to London as was done in December [*November?*]. He mentioned that Governor Stassen had talked with Mr. Maudling (British Treasury) in December[4] and had said at that time that he would be glad to discuss in London the subject of East-West trade at any future time. Mr. Rickett said that the British Government would welcome discussions with Mr. Stassen. He said that it was their hope that talks could take place possibly next week so that if possible the meeting of the CG could be held within a month.

Mr. Judson said that the French held a special position in the matter and could not be excluded from discussions, and it was therefore hoped that the same procedure would be followed as in December.

It was agreed that Mr. Kalijarvi would be in touch with Mr. Rickett.

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[4] For an account of the conversation under reference, see Polto 1045 from Paris, Dec. 16, 1953, p. 1067.

INR files

National Intelligence Estimate [1]

SECRET
NIE–10–54

WASHINGTON, March 9, 1954.

SOVIET BLOC* ECONOMIC WARFARE CAPABILITIES AND COURSES OF ACTION [2]

THE PROBLEM

To estimate Soviet Bloc capabilities in the field of economic warfare, the vulnerability of the Free World to Bloc economic warfare measures, and probable Bloc courses of action.

DEFINITION

Economic warfare is defined in this estimate as the use of economic measures to alter the relative power positions and alignments of opposing nations or groups of nations. This can be done by affecting either the relative economic strength of the nations in the two groups or reducing the size and effectiveness of the opposing group by causing political defections or, what is more likely, dissensions. This estimate will consider only those Bloc economic measures designed to:

a. Improve the Bloc's political position in the non-Communist world;
b. Increase the dependence of non-Communist countries on Bloc trade;
c. Weaken non-Communist support for controls on exports of strategic goods to the Bloc; and
d. Weaken the economic strength of the non-Communist world.

CONCLUSIONS

1. The economic warfare capabilities of the Soviet Bloc lie primarily in its ability to weaken the political cohesion within the non-Communist world by: (a) offers to increase trade; (b) actual increases in trade; and (c) threats to cut off trade where it has been built up.

2. The Soviet Bloc has very limited capabilities for undermining the economic or military strength of the non-Communist world by

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[1] For a description of National Intelligence Estimates, see footnote 1, p. 949.

*The USSR, Communist China, North Korea, and the Eastern European Satellites. [Footnote in the source text.]

[2] According to a note on the cover sheet, the intelligence organizations within the Departments of State, Army, Navy, and Air Force, the Joint Staff of the Joint Chiefs of Staff and the CIA participated in the preparation of this estimate. All members of the IAC, except the FBI, which abstained because the subject was outside of its jurisdiction, concurred in this estimate on Feb. 24.

denying goods and services because the non-Communist world obtains from the Soviet Bloc only a very small range and quantity of imports. Denial of these goods would have a negligible effect on the non-Communist world's over-all economic capabilities and none on its military capabilities.

3. Increased trade could be exploited by the Bloc to create the impression that its intentions are peaceful and that it desires to cooperate with the non-Communist world. If vigorously pushed and supported by Communist propaganda, a Bloc program to expand trade with the non-Communist world could result in a general weakening of prevailing hostile attitudes toward the Bloc. At the same time Bloc offers of increased trade, even if not resulting in any considerable increase of trade, could be used to aggravate the dissatisfaction of some non-Communist countries with the existing export control system and even to weaken the system itself.

4. The Bloc could almost certainly expand its external trade to, say, two or three times the 1952 level without markedly retarding its progress toward self-sufficiency. Such an increase in the volume of trade could easily be made acceptable to the non-Communist world and trade with the Bloc would still be only a small percentage of the total trade of non-Communist countries.

5. Even with such increases, Bloc economic warfare could not by itself be the decisive factor in determining the attitudes of non-Communist states on major issues in the struggle between the Free World and the Bloc. In certain countries whose trade with the Bloc is, or could be, of considerable importance to their economic stability, Bloc economic warfare could add to local Communist strength, intensify existing neutralist tendencies, cause disagreement with some Western policies, and make US leadership more difficult to exert. Examples of countries where the Bloc might expect to achieve such objectives are Finland, Austria, Italy, Egypt, Japan, India, Iran, Indonesia, and Chile. However, even in these countries trade relations with the Bloc will be of only secondary importance for their over-all foreign policy.

6. The Bloc's economic policies will be tied directly to its over-all policies both domestic and foreign, and will reflect a high degree of opportunism and flexibility. For the present, this method of formulating economic policy is resulting in well-publicized offers to increase trade, coupled in selected areas with moderate actual increases. During the next few years the Bloc will probably attempt to exploit economic warfare opportunities associated with increased trade offers. Such a policy would hold out political gains that could be obtained at no net economic cost to the Bloc. We do not believe, however, that the Bloc will undertake economic warfare measures involving a large scale increase in total external trade since a large

expansion of external trade would increasingly involve changes in the economy of the Bloc which Bloc leaders would be progressively less willing to accept.

7. The Bloc will probably continue to use gold to pay for an excess of imports, and this may be done in connection with economic warfare efforts utilizing trade. We do not believe that the Bloc will make extensive use of currency or gold price manipulation, or commodity dumping, as economic warfare techniques.

8. There are many opportunities for Bloc economic warfare utilizing economic aid and technical assistance, and the Bloc will probably make further gestures of assistance to underdeveloped areas where it would expect to obtain the maximum propaganda benefits from such assistance. It is unlikely, however, that the Bloc will carry out substantial programs of this type except on a selective basis.

9. Soviet Bloc economic warfare measures could be effectively countered without significant strain upon the over-all economic resources of the non-Communist world, if prompt agreement on countermeasures could be obtained. However, disagreements as to the seriousness of the threat of Bloc economic warfare, and as to countermeasures, could produce significant political strains within the non-Communist world.

DISCUSSION

I. Bloc Trade Policy and Organization

Traditional Bloc Trade Policies and Organization

10. Soviet policy makers have in the past given highest priority to the development of industrial and economic strength and to the achievement of economic self-sufficiency. External trade since the mid-thirties has been low, relative to output and resources. Such external trade as the Soviet Union has engaged in has been strictly controlled so as to make a maximum contribution to the development of Soviet strength and to the reduction of economic dependence upon outside sources of supply. This trade has generally consisted of exports of industrial raw materials and foodstuffs, often at great hardship to the Soviet population, in exchange for imports of strategic raw materials and machinery and other industrial products useful for the development of industrial self-sufficiency.

11. Bloc economic warfare efforts in the past have not been extensive. They have, for the most part, been confined to measures taken against certain selected countries—notably Yugoslavia, Iceland, and Finland—and to continuing attempts to weaken and to circumvent non-Communist export controls.

12. Since 1918 Soviet external trade has been administered by a state monopoly. State trading corporations, directly controlled by Moscow, have generally been organized to handle Soviet imports or exports of particular commodities, but in some cases to handle all trade with a particular area.

13. Satellite foreign trade has been similarly administered by state monopolies. The establishment of the Council of Economic Mutual Assistance in January 1949, representing the USSR and its East European Satellites, was an important step in consolidating the Communist countries into an economic bloc. There has been increasingly detailed planning and direction of Satellite trade from Moscow.

14. Soviet trade policy, with its rigorous controls over the Satellites, has resulted in the concentration of a very high proportion of the trade of Bloc countries within the Bloc. The increase in both the relative and absolute importance of this trade has been particularly marked since World War II. The volume of trade among countries now composing the Bloc increased by six to eight times between 1937 and 1952. In 1937 it composed 9 percent of their total external trade and in 1952 76 percent. Only 20 percent of the Soviet Union's total external trade and 27 percent of external trade of the Satellites (including that of Communist China) was with the non-Communist world in 1952.

15. Communist China's trade with the rest of the Bloc would have increased in any case, due to the Communist policy of seeking to reduce dependence on trade with non-Communist countries. However, the Korean war greatly stimulated this tendency, both because of export controls applied by non-Communist countries and China's need for economic and military assistance from Russia.

Trends in Trade between the Bloc and Non-Communist Countries

16. The peak of Soviet foreign trade (calculated either in physical volume or in rubles at current prices) came during the years of the first Five-Year Plan (1928–1932) when the USSR was importing large amounts of industrial equipment from the West. These imports gradually decreased as domestic production grew.

17. As postwar reconstruction progressed, trade between the Soviet Bloc and the non-Communist world (measured in constant prices) partially recovered, and by 1948 it had reached about half the 1938 level of trade between the same areas. After 1948, with the economic consolidation of the Bloc and the imposition of non-Communist trade controls, it began to decline and by 1952 had fallen to about one-third of the 1938 level. This trade was almost certainly less in 1953 than in 1952.

18. Bloc interest in purchasing non-strategic commodities from non-Communist countries has until recently been slight, in accord-

ance with Bloc economic policies calling for the greatest feasible degree of self-sufficiency. Moreover, it is probable that for the same reason Bloc demand for imports of strategic goods would, on the whole, have remained low in relation to the pre-World War II level, even in the absence of non-Communist export controls. These controls have, however, restricted Bloc imports of strategic goods and thus contributed to the decline of Bloc trade with non-Communist countries and to the modification of the pattern of that trade. Non-Communist export controls have had a greater effect upon the external trade of Communist China than upon the trade of the remainder of the Soviet Bloc, but they have not been the most important cause of China's rapid integration into the Bloc trading area.

Recent Developments

19. Although there is no evidence that Bloc leaders have abandoned their emphasis upon industrial expansion, military preparedness, and self-sufficiency, the following developments since early 1953 suggest a policy of increasing trade with the non-Communist world:

a. Bloc countries have recently made several offers and have signed agreements to increase their trade with non-Communist countries, including several countries with which they had no previous trade agreements.† For example, Bloc countries have recently shown increased interest in trade with Latin America, South Asia, Egypt, Greece, and other parts of the non-Communist world. Trade agreements recently concluded for the first time between Bloc and non-Bloc countries include those between Bulgaria and India, and between the USSR and Argentina. The recent agreement between the USSR and France is the first since 1934.

b. In some of these agreements increased imports on non-Bloc consumer goods have been accepted by the Bloc, while capital goods, strategic metals, petroleum, and increased quantities of primary goods have been allotted for export. The Bloc has already made some shipments of goods of this type. Trade agreements between Bloc countries and certain Latin American countries are good examples of this development.

c. The Bloc has recently demonstrated greater willingness to use multilateral trading techniques and to balance certain accounts in transferable currencies. For example, the USSR has been selling gold for sterling to support purchases from the sterling area and other countries. With Finland the USSR has agreed to settle its expected deficit partially in non-Bloc currencies.

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†See Schedules I, II, and III for a summary of data on recent trade agreements and other trade arrangements between the USSR and non-Communist countries. Only a small proportion of total Soviet trade with the non-Communist world is conducted under such agreements and arrangements. [Footnote in the source text. The attached schedules are not printed.]

II. Bloc Economic Warfare by Means of Trade

20. Trade is potentially the most important instrument of economic warfare available to the Bloc. It is impossible, however, for the Bloc to wage economic warfare of serious proportions against the non-Communist world solely by shutting off Bloc exports of strategic commodities, since the non-Communist world does not depend upon the Bloc for such goods. Economic warfare through trade must therefore be conducted by the Bloc mainly in three ways: (a) by offering to engage in increased trade with certain non-Communist countries; (b) by building up trade with certain non-Communist countries to such a level as to create a state of dependence upon the continuation of that trade; and (c) by cutting off or by threatening to cut off trade with non-Communist countries.‡ By these means the Bloc may seek to achieve such objectives as weakening of non-Communist export controls and reducing support for Western defense programs. By increasing trade, or promising to increase trade, the Bloc might also in certain countries and especially in certain groups encourage more favorable political attitudes and enhance the influence of local Communists. Where trade agreements resulted in the establishment of permanent Bloc trade missions in non-Communist countries, these missions could be used for purposes of political warfare.

21. The Bloc has recently made several attempts to use increased trade or promises of increased trade for what appear to be economic warfare purposes. At the Moscow Economic Conference in April 1952, an attempt was made to use offers of increased trade to create dissatisfaction with Western, and particularly with US, controls on exports to the Bloc. Communist China has bartered rice for rubber from Ceylon on terms more favorable than Ceylon could have obtained elsewhere, thus creating dissatisfaction in Indonesia and Malaya with export controls. Attractive trade offers made by China to Japan have been made conditional upon Japanese agreement to ship strategic commodities. New Bloc trade agreements with Finland, Iceland, Iran, Argentina, and India are almost certainly motivated to some extent by the desire to improve the political position of the Bloc in these countries and may have been drawn up with the object in mind of creating dependence upon certain kinds and levels of trade with the Bloc. All of these moves, except the Moscow Economic Conference, were also of direct economic advantage to the Bloc.

Bloc Capabilities for Engaging in Increased Trade with the Non-Communist World

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‡See NIE-59, "Probable Economic Effects of a Severance of East-West Trade," 16 April 1953. [Footnote in the source text. For text of NIE-59, see p. 949.]

22. Trade between the countries now composing the Soviet Bloc and the rest of the world was in 1952 at about one-third of the 1938 level (measured in constant prices). This reduction took place despite substantial increases in world production and trade. By 1952 the Bloc gross national product was about one-third greater than in 1938. In the same period the external trade of non-Bloc countries increased by 36 percent, and intra-Bloc trade increased six to eight times.

23. We believe that there are economically advantageous opportunities for substantially increased trade between the Soviet Bloc and the non-Communist world. A doubling, say, of the 1952 level of such trade in the course of a year or two would almost certainly bring a net economic gain to the Bloc and probably not significantly affect Bloc programs. A doubling of this trade would increase Soviet Bloc imports by $1.5 billion, or no more than 1 percent of Bloc gross national product, and exports by $1.3 billion. In view of the relatively small magnitudes involved, Bloc leaders would probably not encounter any great difficulty in disposing of the additional imports or in making the additional exports available. In their efforts to do so, they would enjoy the advantage of complete control over a large economy with great resources. Moreover, the economic impact on the Bloc programs of a doubling of trade with the non-Communist world would be even less than indicated if part of the increase were accomplished by some rerouting of current intra-Bloc trade through non-Communist trade channels.

24. Bloc leaders would probably encounter some obstacles to the expansion of trade with the non-Bloc world. The goods which Western European countries would be most willing to import from the Bloc, in order to save dollars, are by and large agricultural products and raw materials. Before World War II such items were traditionally exported from Eastern Europe on a large scale in exchange for manufactured goods. It is unlikely, however, that the Bloc could restore this trade pattern. Industrialization has proceeded rapidly in the USSR and in some of the Satellites, while the output of Bloc agricultural products and raw materials has lagged behind the expanding requirements of the Bloc itself. Any substantial future increase in external trade will probably have to involve increased Bloc exports of manufactured goods. Bloc attempts to increase its exports of manufactured goods to the non-Communist world would encounter difficulties, at least for a time, in the designing, production, and merchandizing of such goods in competition with Western producers. Even Czechoslovakia and East Germany would be hampered initially in such trade by the loss of former commercial contacts with the West. In addition, the Bloc's past trading practices have given it a poor reputation.

25. A doubling of the 1952 level of Bloc trade with the non-Communist world, in any pattern which such an increase would be likely to assume, would entail some temporary retardation of the Bloc's progress toward self-sufficiency. However, by stockpiling and maintaining standby capacity the Bloc could lessen its vulnerability to subsequent interruption of imports from the West. By carefully choosing exports and imports, the Bloc could probably also minimize any possible disruptive effect which increased trade would have on Bloc economic programs. Furthermore, expansion of trade could help the Bloc to realize its immediate program for increasing the availability of consumer goods and ultimately contribute to the achievement of self-sufficiency at higher levels of output.

26. The Bloc could probably expand its external trade to more than twice the 1952 level without greatly retarding progress toward self-sufficiency, disrupting basic programs, or making a significant reallocation of resources. However, a further expansion of external trade would increasingly involve changes in the economy of the Bloc which Bloc leaders would be progressively less willing to accept.

Receptivity of the Non-Communist World to Bloc Trade Offers

27. There is a high degree of receptivity in many non-Communist countries to proposals for increased trade with the Soviet Bloc because of the widespread belief that such trade would help to:

a. Eliminate or alleviate balance of payment difficulties;
b. Restore historically profitable trade patterns;
c. Develop larger and more diversified markets and sources of supply, and in some cases secure protection from the uncertainties of the US market;
d. Improve terms of trade; and
e. Improve political relations with the Bloc and so postpone or avoid war. (The "neutrals" want to trade with both worlds as an expression of their independence.)

28. Receptivity to Bloc trade offers will vary greatly from country to country and will depend as much on political as on purely economic factors. Most receptive to Bloc trade offers would be those countries which: (a) find it difficult to satisfy their economic needs within the trading area of the non-Communist world; and (b) distrust the leadership of the Western Powers or lean toward a neutralist position on issues between the Soviet Bloc and the non-Communist world. A general economic recession in the US or in the non-Communist world as a whole would almost certainly increase non-Bloc interest in trade with the Bloc, dissatisfaction with controls on exports to the Bloc, and vulnerability to Bloc economic warfare measures.

29. On balance, we believe that an attempt by Bloc leaders to induce a doubling of the 1952 level of trade with the non-Communist world would probably succeed. It would meet with a favorable public response in many non-Communist countries, and would almost certainly result in net economic gain for the countries concerned.

Consequences to the Non-Communist World of Bloc Economic Warfare by Means of Trade

30. The most immediately effective economic warfare measures which the Bloc is likely to employ would be directed at the non-Communist export control system. The Soviet Bloc could put pressure on the export control system and cause international and internal dissensions in the non-Communist world by making offers of increased trade or by actual increases of small magnitude. If one non-Communist state yields to Bloc inducements to undermine the export control system, the receptivity of other states to similar inducements will increase, and the Bloc will find it progressively easier to obtain strategic goods as well as to cause dissension in the non-Communist world over export controls.

31. If the total external trade carried on between the Soviet Bloc and the non-Communist countries in 1952 were doubled or tripled, it would still be only a small percentage of the total trade of the non-Communist countries. However, if such an increase in trade were largely concentrated upon those non-Communist countries which are most vulnerable to economic warfare measures, it would cause an important proportion of the foreign trade of those countries to be carried on with the Bloc. The economic stability of those countries might thus become dependent upon a continuation of this trade. Under such circumstances the governments and peoples of those countries might become disposed to improve their political relations with the Soviet Bloc, with a consequent weakening of the cohesiveness of the non-Communist world. Bloc leaders could also exert pressure upon the governments of those countries by reducing, or threatening to reduce, the flow of trade.

32. Such Bloc economic warfare measures against individual non-Communist countries could be effectively countered without significant strain upon the over-all economic resources of the non-Communist world. However, disagreements as to the seriousness of the threat of Bloc economic warfare, and as to countermeasures, could produce significant strains within the non-Communist world. On the other hand, if it could be made apparent to non-Communist countries that the Soviet Bloc was seeking to use trade to weaken their economies and might eventually use it to extort political and economic concessions, the net result might be an increase in non-Communist cohesion and reduced receptivity to Bloc trade offers.

Economic Warfare Against Western Europe by Means of Trade

33. In 1952 trade with the Soviet Bloc accounted for less than 3 percent of the total international trade of the countries of Western Europe. Those countries which in 1952 had more than 3 percent of their total trade with the Bloc are listed below with imports from the Bloc and exports to the Bloc shown as percent of total trade:

Trade With the Bloc as Percent of Total International Trade of Certain Western European Countries, 1952

Country	Imports	Exports
Finland	19	26
Austria	11	13
Iceland	7	8
Sweden	6	8
Turkey	4	5
Denmark	4	4
Italy	4	4
Norway	3	5
Switzerland	3	4

34. Because of special circumstances Finland and Austria carry on a large percentage of their trade with the Bloc. They are therefore vulnerable to economic pressures. Italy, which carries on a much smaller proportion of its total trade with the Bloc, is also vulnerable because of widespread unemployment, especially in industries producing strategic goods, and because of local Communist strength.

35. Western European countries are generally receptive to Soviet Bloc offers of increased trade. There is a widespread and frequently exaggerated belief in the possibilities for expansion of trade with the Bloc.

36. Some Western European countries have serious export marketing problems because of overvalued currencies or high production costs in specific industries. Finland, Austria, and Italy, for example, have many high-cost producers of metal products who are particularly interested in Bloc markets and who may be expected to become more interested if the demand for their products diminishes in non-Communist markets. The Soviet Bloc has already brought pressure to bear on Italy in an attempt to force Italy to relax its export controls and to create discord between Italy and the US. Poland and Czechoslovakia have curtailed deliveries of coal

to Italy and have made the restoration of the former volume of deliveries conditional upon the export of strategic goods.

Bloc Economic Warfare by Means of Trade with the Non-Communist Far East

37. The non-Communist countries of the Far East are not now heavily dependent upon trade with the Soviet Bloc. Current trade between these countries and the Bloc amounts to between 3 and 4 percent of their total international trade. Four-fifths of their trade with the Bloc is with Communist China and one-fifth with the European Soviet Bloc. Most non-Communist countries of this area are highly receptive to Bloc offers of increased trade, and there is a widespread feeling that the existing export control system is unreasonable.

38. Japan offers an important target for Bloc economic warfare by means of increased trade. Many Japanese look upon increased trade with the Bloc as a panacea for their current and prospective economic difficulties, and as an essential to the development of a satisfactory political position in Asia. These hopes, however, are based on what we believe to be overoptimistic estimates of the possibilities of expanding trade with the Chinese mainland. We do not believe that Japan's annual trade with Communist China, even with the removal of present restrictions, and with an intensive trade promotion effort on the part of the Bloc, could amount to more than $350 million each way. This would produce a one-third increase in Japan's current level of total exports. Trade on this scale would by no means be a panacea, but it would contribute substantially toward easing Japan's economic problems.

39. More concrete and attractive Communist trade overtures to Japan can be expected to increase agitation in Japan for the relaxation and ultimate removal of restrictions on trade with the Soviet Bloc. Such overtures would almost certainly strengthen neutralist groups in Japan and those forces that are determined to reassert Japan's independent position in respect to world problems.

40. Some of the other Southeast Asian countries would be targets for Bloc economic warfare principally because they might hope to find in the Bloc additional export outlets for their surplus stocks of rubber and rice. Furthermore, in Burma and Indonesia, trade with the Bloc is viewed as a desirable step toward the relaxation of international tensions in Asia. There may be some skepticism about the practical possibilities for a satisfactory trading relationship with the Bloc in view of past failure of publicized Bloc offers of trade and assistance to materialize. However, Indonesia has recently signed a trade agreement with Communist China which may result in some shipments of rubber, and Burma reportedly is negotiating trade agreements with both Communist China and the

USSR. Finally, Communist China can apply some economic pressure on the UK by manipulating its trade with Hong Kong.

Bloc Economic Warfare by Means of Trade with South Asia

41. Soviet Bloc trade with South Asian countries, with the exception of Ceylon, has not shown any considerable upward trend. During the past three years, trade with the Bloc has made up less than 3 percent of India's total trade. India signed an agreement with the USSR in December and would probably welcome the opportunity to demonstrate its neutralism by increased trade with the Bloc. However, the agreement makes no specific commitments as to imports and exports, and may not lead to any significant expansion of present trade volume. In the case of Pakistan, the importance of Bloc trade declined in 1953, principally because of lower shipments of raw cotton to China. One percent of Pakistan's imports in 1953 came from the Bloc and about 5 percent of exports were sold there, compared with 22 percent in 1952. Since the conclusion of the rubber-rice barter agreement with China, Ceylon's trade with the Bloc has risen to about 12 percent of imports and 16 percent of exports and is of considerable importance to Ceylon. The economies of most of the countries of South Asia depend heavily upon the volume and price of their exports—cotton and jute in Pakistan, tea and rubber in Ceylon, and jute, cotton textiles, and tea in India. Any offer from the Bloc to buy steadily more of these products at favorable prices would be attractive to the countries of the area. However, the availability of tea for export in Communist China, and the fact that China is continuing to expand its output of raw cotton and jute, are likely to limit the Bloc's willingness to absorb these particular goods from South Asia in quantity and on a continuing basis.

42. Afghanistan has always conducted a considerable part of its trade with the USSR. Recently, owing mainly to larger purchases of petroleum, this trade has increased moderately. In addition, under an agreement announced in January 1954, the USSR is making a loan to Afghanistan valued at $3½ million and is supplying technicians for the construction of grain storage and other facilities. These Bloc moves may be aimed at countering US assistance to Afghanistan.

Bloc Economic Warfare by Means of Trade with the Middle East

43. Bloc trade has become increasingly important to Egypt (12 percent of Egypt's total imports and 16 percent of exports in the first half of 1953) particularly in view of the recent decline in UK purchases of cotton. Bloc trade has also been significant for Iran (about 13 percent of total foreign trade in 1952 and somewhat less in 1953) because it provides a market for the agricultural products of Iran's northern provinces, provides essential imports, and de-

creases the pressure on Iran's limited foreign exchange. Iran's total trade is low, however, compared with the period when oil was being exported. The rest of the Middle East has had very little trade with the Bloc.

44. The countries of the Middle East, except Turkey, would probably be highly vulnerable to Bloc economic warfare carried on by means of trade. There is wide dissatisfaction with the area's general economic and political dependence upon the West, and strong neutralist tendencies with respect to the conflict between the Soviet Bloc and the Free World. There is no indication that any government in the area would wittingly accept Communist influence or domination, but several, notably Egypt, Syria, and Israel, might enter into far-reaching agreements with the Bloc for the sake of direct economic benefits and in the hope of securing further advantage by playing off the Bloc against the West.

Bloc Economic Warfare by Means of Trade with Latin America

45. The trade of Latin American countries with the Soviet Bloc in 1952 probably comprised less than 1 percent of the total foreign commerce of those countries, but decreasing demand and lower prices for Latin American exports, especially in the US, has aroused the area's interest in the possibility of expanding its trade with the Bloc. Special impetus was given to this interest in August 1953 by the signature of a trade agreement between Argentina and the USSR. The agreement, the first concluded by the USSR with a Latin American country, included provision for Russian delivery of $30 million of capital equipment on credit. A number of other countries, notably Brazil, Chile, and Uruguay, appear to view expanded trade with the Bloc as a partial solution to their current need for export markets and for non-dollar sources of machinery, equipment, and industrial raw materials. In some countries, the question of trade with the Bloc is an issue which is being exploited by Communists and, to a lesser extent, by extreme nationalists. If the Soviet Bloc succeeds in substantially increasing its trade with Latin America, this development might further complicate Latin American relations with the US and strengthen Communist influence in certain Latin American countries.

Probable Courses of Action

46. During the next few years the economic policy of Soviet Bloc leaders will probably include an attempt to expand trade with the non-Communist world. This effort will of itself yield economic warfare opportunities. The Bloc will probably exploit these opportunities, especially if it estimates that economic and political conditions in the non-Communist world increase receptivity to Bloc trade and if there are increasing evidences of conflict in the non-Communist world over the question of trade with the Bloc. However, we do not

believe that the Bloc will make large expenditures of resources or modify other programs in order to seek economic warfare objectives. Moreover, Bloc leaders will continue to be wary of dependence upon trade with the outside world, and will take steps to protect the Bloc against the effects of sudden loss of such trade.

III. Utilization of Economic Aid and Technical Assistance for Economic Warfare Purposes

47. There are many opportunities for Bloc economic warfare by utilizing grants, loans, and/or technical assistance or promises of all three. The Bloc has made a few gestures of this kind, including technical assistance to India and Afghanistan and the recent agreement to lend Finland the equivalent of $10 million. Such opportunities are greatest in those underdeveloped areas where anti-Western sentiment or "neutralism" is already strong and where local Communist parties are strong enough to make capital out of any such moves.

48. The Bloc will probably make further gestures of assistance to underdeveloped areas, and will seek to exploit their propaganda value to the utmost. However, there is as yet no evidence that the Bloc is willing to undertake substantial aid programs. The exports involved in such programs might seriously interfere in the next few years with the Bloc's programs for increasing the availability of consumer goods and for industrial development and greater self-sufficiency. Furthermore, Bloc leaders probably realize the difficulties of competing with the US in this field. In some countries, moreover, Bloc leaders may believe that present bad economic conditions provide a favorable setting for the growth of Communist influence.

IV. Bloc Economic Warfare Utilizing Gold and Manipulation of Currency and Commodity Markets

49. The Bloc gold reserves, which are estimated at $3 to $5 billion, and its current gold production (variously estimated at from $200 to $500 million) constitute an economic warfare potential. Since the death of Stalin, Bloc leaders may have a changed conception of the potential usefulness of gold to the Bloc. They may now be less anxious to build up gold stocks and may even be willing to draw on them. An obvious use of gold would be in connection with an effort to increase trade with the non-Communist world. The sale of Bloc gold to finance an excess of imports would enable the Bloc to gain some of the advantages of increased trade with selected non-Communist countries without a balanced exchange of commodities with each country.

50. The Bloc's gold stock might also be used in connection with attempts to manipulate currency markets in the non-Communist

world in order to achieve economic warfare objectives. Practically all countries, however, have currency controls, stabilization funds, and other means of protecting their currencies against such manipulation. Bloc efforts to manipulate the price of gold in non-Communist countries would not have much effect since nearly all gold sales in and between these countries take place at a price regulated under the articles of the International Monetary Fund, to which most non-Communist countries adhere. In the few minor countries where currency or gold price manipulation might be attempted with some expectation of success the economic warfare gains would be so small or uncertain that we do not believe the Bloc will undertake such measures.

51. In recent years Bloc gold sales have run at an estimated annual rate of $60 to $80 million. In 1953 they reached $150 million, with sales concentrated in the latter part of the year. These releases seem to be explained by balance of payments considerations and particularly by a shortage of sterling in the Bloc. There is as yet no evidence that gold sales are connected with an economic warfare effort.

52. The Bloc is not likely to attempt to achieve economic warfare objectives by flooding commodity markets in the non-Communist world. The Bloc has exportable surpluses of only a few commodities, notably manganese, chromite, and tungsten. The Bloc could throw large quantities of these commodities on the market at lower than present world prices, thereby creating distress among non-Communist producers. None of these commodities, however, accounts for enough of any producing country's earnings to have a serious effect upon the economy of that country. Neither would disturbances in these markets affect over-all non-Communist industrial or military potential. Such disturbance would cause ill-will toward the Bloc in underdeveloped producer countries and thus handicap the Bloc's efforts to gain strength in those countries. Bloc supplies of petroleum, which the Bloc is now selling in the non-Communist world, are not now large enough to upset the petroleum market seriously. In the case of other commodities, the Bloc could disrupt markets only by offering goods for sale at the expense of internal requirements.

S/S-NSC files, lot 63 D 351, NSC 152 Series

Memorandum Prepared in the Economic Defense Advisory Committee for the NSC Planning Board [1]

SECRET WASHINGTON, March 9, 1954.

The Problem

1. The problem is to determine what position and tactics the United States should adopt in response to the United Kingdom's proposal that the scope of multilateral East-West trade controls be drastically reduced. The British proposal would, in a single step, cut the international embargo list in half and abolish controls over virtually all items now subject to quantitative controls or to surveillance. This proposal (which embodies, to a large extent, Prime Minister Churchill's own thinking) is in conflict with our economic defense policy in NSC 152/3.[2]

Principal Points at Issue

2. The U.S. and U.K. East-West trade policies are in agreement on a number of points. These include the concept that the controls must be tailored to a long period of tension short of war; that there is a need to expand international trade; that controls should be kept to a necessary minimum; that the support and cooperation of the trading community is essential for effective controls.

3. There are perhaps three critical points of difference which are creating the problem with which this paper deals.

a. *Trade in relation to security:* The UK. position is based upon the assumption, which as stated above we share, of a long period of tension short of war. On this assumption, the British place strongest emphasis upon the usefulness of international trade generally, and trade with the Soviet bloc in particular, as a means of providing for economic development and strengthening the economic base for the defense effort of the West. Accordingly the British position is that there must be overriding considerations of security speaking against the export of any specific item to the Soviet bloc to overcome the general presumption in its favor. This position appears to involve a considerably higher estimate of the quantity and the usefulness of the goods likely to be available for export to the West from the Soviet bloc than the U.S. would be prepared to accept. It involves also a belief that industrial materials and equipment, which in the British view should be allowed to move freely to the Soviet bloc, would make a smaller contribution to the Soviet bloc war potential than the U.S. would consider probable, and hence have a less important effect upon the balance of military strength between the Soviet bloc and the West than the U.S. would believe. While it is not possible to tell just how far the British position is one to which the Government felt forced by the pressure of private industrial and trading interests, it is clear that this position does in fact take full cognizance of such interests and is intended to accommodate them to the maximum possible extent. It is largely because of such differences as these, and particularly because of the great weight which the British attach to the usefulness of trade, that they make use of criteria for selecting commodities for trade control which are much narrower than ours.

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[1] The source text was attached to a copy of a memorandum by Lay to the NSC Planning Board indicating that the Planning Board would consider it at its meeting of Mar. 10.

[2] For text as revised, see p. 1207.

b. *Criteria for selecting items to be controlled:* (This is the crucial point of sharpest difference.) As a result the U.K. would include only items of direct military and atomic energy importance and those industrial goods which incorporate advanced technology of military significance. The U.K. would *exclude* industrial equipment admittedly contributing to Soviet war potential if such equipment were not primarily designed for military production, presumably on the grounds that the Soviets can squeeze such goods out of the civilian economy. The U.K. would also exclude basic raw materials normally or predominantly used for civilian purposes.

The U.S. selection of commodities for control is governed by paragraph 19a of NSC 152/3 which reads, "to control selectively exports of commodities . . .[3] which contribute significantly to the war potential of the Soviet Bloc." The U.S., in addition to the type of items the British would control, includes, on a selective basis, industrial equipment and raw materials of war potential significance (whether or not applied also to civilian use) in which the Soviet bloc has a serious deficiency that it cannot overcome through its own resources within a period of short duration. In brief, the U.S. would control those items which (1) can be readily converted to production of military end-items, and (2) are essential to development or maintenance of military production.

The current comprehensive review of the strategic lists by the U.S. constitutes a careful review of each of the presently controlled commodities under the above principles. It attempts to examine the available facts and intelligence on the items, and this type of review is necessarily a more time-consuming process than would be a list revision by arbitrary deletion. The results of our review will be significantly reduced lists but not lists reduced to the magnitude of reductions proposed by the U.K. It is not yet possible to make an accurate prediction of the results of the U.S. review. However, it may not be unreasonable to assume from current work that the embargo list (International List I of 265 items) will be reduced 10–20 percent; the quantitative control list (List II of 91 items) will be reduced 20–30 percent, and the surveillance list (List III of 97 items) will be reduced by more than 50 percent. It may be anticipated that the U.S. would agree to further modification of the lists in the course of the item by item review to which the U.S. results would be subjected by COCOM.

c. *The concept of a "Short List":* The U.S. London Embassy reports that the concept of "a short list for a long haul" operated as the most important criterion in U.K. review of items for control. The U.S. also believes in a short list of carefully selected items. But mere numbers are not a proper standard because the important thing is the area of actual or potential trade covered by a listing. Thus on the present embargo list of 265 items it would be possible to reduce the number of item listings by means of a consolidation. For example, we have 13 separate listings of highly specialized grinders carefully selected because of their high importance to military production which could be consolidated into one listing called "metal grinding machines". A single listing covering all metal grinding machines, however, would cover a far greater area of trade than the 13 separate listings, and therefore would be non-selective.

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[3] Ellipsis in the source text.

Possible Courses of Action

4. *First Alternative:* We could accept the British proposal, negotiating only for the minor modifications still apparently possible within the narrow leeway which the Prime Minister has left to his subordinates. These minor modifications might comprise the restoration to the proposed embargo list of perhaps 15 to 25 of the most strategic items deleted by the British, the maintenance of quantitative controls over a very small number (perhaps half a dozen of "special case" items), and the preservation of a surveillance procedure over most of the other items now on the three International Lists.

5. *Second Alternative:* We could reject the British proposal and fight out the issues (appropriate criteria, quantitative control concept and list of items) bilaterally with the British and on a multilateral basis in CG/COCOM.

6. *Third Alternative:* We could, by negotiation, seek such substantial modification of the British proposal as would permit its acceptance within the terms of U.S. economic defense policy. Because of the personal role played by the Prime Minister in determining the present British position, the personal intervention of the President will probably be required to establish a basis for a useful resumption of negotiations within the framework of NSC 152/3. Our minimum requirement for modification of the British position would involve their agreement to criteria permitting inclusion within controls of certain basic industrial equipment and raw materials which have important war potential significance and in which the bloc is deficient.

Recommendations

7. The First Alternative should *not* be adopted because:

a. Even if modified to the full extent of the negotiating leeway believed to be possessed by the subordinate U.K. officials, the British proposal would leave uncontrolled many items which, on the basis of the U.S. list review so far, we believe would contribute significantly to Soviet war potential and should therefore be embargoed. We do not believe the offsetting advantages to the West in terms of increased trade are sufficient to justify the relaxation of controls over such items. Such trade in addition to many types of equipment capable of direct use by military forces would include many items of capital equipment and basic raw materials which are directly required for expansion of output and mass production of armanents and for specialized production of strategic types of machine tools, often bottleneck items, in military production.

b. It is believed likely that, rather than a significant increase in trade, decontrol of these items would result in a change in composition of Western exports, in many cases at the expense of other non-strategic goods now traded. There is a serious question also that the Soviets would step up exports of those categories of goods of greatest value to the Western countries. Over a period of time the resulting strengthening of the Soviet war potential relative to the free world might well require Western Europe to increase its level of defense expenditures and might ultimately require more U.S. military and financial aid to again restore a relative balance.

c. The British proposal, even if slightly modified, would still lead COCOM into a process of list revision either without reference to criteria for strategic listing or on the basis of criteria not acceptable to the U.S. Without agreed criteria, the formulation of the security lists would degenerate into a trading exercise dominated by the respective commercial interests of the individual nations. On the other hand, if COCOM employed the same criteria which the British say they used, there would remain uncontrolled wide commodity areas of serious security concern to us, particularly with respect to those items which have both important military and civilian use.

d. With decontrol of many items of evident importance in producing military equipment, there would arise serious Congressional and public dissatisfaction within the U.S. over the trade carried on by our allies. At the same time the U.S. would face major pressure from the business community to revise its own export controls to permit U.S. businessmen to trade in the same commodities with the bloc. These divergent reactions would make exceedingly difficult for the U.S. the pursuit of a sound program of economic defense.

e. Relaxation of controls of the nature and extent proposed by the U.K. with respect to Eastern Europe would stimulate a deterioration of current restrictions on trade with Communist China. In addition, the flow of capital goods and strategic materials to the European Soviet bloc will increase Soviet capabilities to contribute to Communist China's economy and military establishment. The obvious danger of increased transshipment to Communist China aggravates U.S. concern over undue relaxation of strategic controls over trade with the rest of the bloc.

8. The Second Alternative should *not* be adopted because:

a. It would fail to preserve a satisfactory or workable export control program. The pressures on European governments for increased East-West trade and for curtailment of restrictions would lead the majority, and perhaps all, COCOM members to support the U.K. proposal and reject the U.S. position. The U.S. would then be faced with the choice of capitulating and participating in an emasculated control program or of attempting to maintain a unilateral and hence ineffective program.

b. An unsuccessful struggle against the British proposal, as well as its aftermath, would cost the U.S.—and Western security—dearly in terms of international goodwill and cooperation. Reaction to U.S. pressures in COCOM and to U.S. unilateral measures after the curtailment of multilateral controls would have a seriously divisive effect in our international relationships and programs beyond the field of economic defense, which divisions would surely be exploited by the Soviets. Substantial disparity between U.S. and international controls would embroil the U.S. in continuous problems under the sanctions provisions of the Battle Act. In addition, frustrating and explosive problems will arise as to whether to deny U.S. exports to friendly countries unwilling to give assurance against export of similar or related items to the Soviet bloc.

9. The Third Alternative—seeking substantial modification of the British proposal—should be adopted because:

a. A material modification of the British proposal is necessary to preserve a framework in which a reasonable adjustment of the control program can be achieved on a multilateral basis. Only such a modification will avoid a major and open clash with our leading ally in the Consultative Group. Permitting such a clash to develop over the revision of the lists in COCOM would prejudice satisfactory resolution of the other pending major issues in the multilateral control program.

b. In the light of the negotiating history of this problem, as well as the imminence of the CG meeting, only an immediate personal communication from the President to the Prime Minister appears likely to open the way to the desired result. In addition, our knowledge that certain Ministries in the U.K. Government are favorable to the U.S. position gives rise to some hope that this course of action will be successful.

10. The President should be requested to transmit a personal communication to Prime Minister Churchill along the lines suggested in the *Outline of Principal Points to be Made in a Personal Communication from the President to the Prime Minister Concerning the U.K. Proposed Revision of East-West Trade Controls.*[4]

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[4] A copy of the outline under reference was attached to the source text; the first of the two pages was crossed out and the word "superseded" written in the margin.

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 188th Meeting of the National Security Council on Thursday, March 11, 1954 [1]

TOP SECRET EYES ONLY

Present at the 188th Meeting of the Council were: The President of the United States, presiding; the Vice President of the United States; the Acting Secretary of State; the Secretary of Defense; the Director, Foreign Operations Administration; and the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Attorney General (for Items 2, 3 and 4); the Secretary of Commerce (for Items 5, 6 and 7); Mr. Morrison for the Director, Bureau of the Budget; the Chairman, Atomic Energy Commission (for Items 2, 3 and 4); the Federal Civil Defense Administrator (for Items 2, 3 and 4); the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; Sherman Adams, the Assistant to the President; Robert Cutler and C. D. Jackson, Special Assistants to the President; Gen. Persons, Deputy Assistant to the President; Walter S. Delany and Kenneth R. Hansen, Foreign Operations Administration; Marshall Smith, Acting Assistant Secretary of Commerce for Internal Affairs; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

There follows a summary of the discussion at the meeting and the main points taken.

[Here follows discussion of significant world developments affecting United States security, the status of United States programs for national security as of December 31, 1953, the release of a sanitized film on Operation Ivy, the conduct of a nationwide civil defense exercise, and the military effect of a relaxation of controls on trade with the Soviet bloc in strategic materials from free world sources.]

6. *US-UK Differences on Economic Defense Policy* (NSC 152/3;[2] Memo for NSC Planning Board from Executive Secretary, same subject, dated March 9, 1954 [3])

Mr. Cutler indicated that according to the agenda the next item for Council consideration involved proposals to amend the statement of policy in NSC 152/3 with respect to the level of controls to be maintained on trade with Communist China. In point of fact, however, the agenda had been disrupted by the receipt of a proposal by the British Government for a drastic cut in the lists of items subject to control by the nations of the free world in their trade with the Soviet bloc. This proposal was of such a serious nature that it required immediate consideration by the National Security Council. The nature of the British proposal was set forth in Attachment 3 to the reference memorandum. In brief, the British proposed to cut International List I by 50% and virtually to abolish International Lists II and III.

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[1] This memorandum of discussion was prepared on Mar. 12 by Deputy Executive Secretary of the National Security Council Gleason.

[2] For text as revised, see p. 1207.

[3] *Supra.*

Mr. Cutler then called attention to the Planning Board recommendation that the Council adopt the third of the three possible courses of action which the United States could choose from to meet the British proposal. This course of action involved the despatch of a message from the President to Prime Minister Churchill, to include the points listed in the "Outline of Principal Points to be Made in Personal Communication from the President to Prime Minister Churchill Concerning UK Proposed Revision of East-West Trade Controls" (copy filed in the minutes of the meeting).

At the conclusion of Mr. Cutler's briefing the President inquired to what extent action of the Executive Branch on this problem was governed by the Battle Act and how much freedom of action the Executive Branch was permitted.

Admiral Delany advised the President that the Executive Branch had wide discretionary power regarding all the items on the controls list except actual military and atomic materials, which were automatically embargoed under the law. Nevertheless, said Admiral Delany, we could not go along with the British proposal and cut International List I in half, without inviting a very serious reaction from the Congress.

Admiral Delany then went on to indicate that the Economic Defense Advisory Committee–Advisory Committee on Export Policy (EDAC–ACEP) had been engaged for many weeks now in reviewing all the items on the control lists on a case-by-case basis in order to see which ones could safely be decontrolled. They had entertained, however, no idea of a percentage cut across the board in any of these lists. The essence of the difference between the U.S. and British positions with respect to items which should be subject to export control, was the U.S. view that a number of strategic items should be subject to control when they contributed indirectly to Soviet war potential, even though such items were not themselves actual munitions of war.

At the conclusion of Admiral Delany's summary of the differences between the British and the U.S. points of view, the President, with a show of great impatience and exasperation, stated that this country was now trying desperately to bring the nations of the free world into closer concert in order to oppose Soviet imperialism. How could we rationally insist that neither we nor our allies can sell any of these materials to the Soviets when we in the United States find ourselves weighed down with vast agricultural surpluses and when our allies are told that we are not in a position to buy from them the materials and products which we don't wish them to sell to the Soviet bloc? The question boils down, therefore, to what we are going to do to our allies over the long term. To make matters worse, this whole difficult question of East-West trade is involved in a climate of emotion and prejudice. So serious and important, concluded the President, was this problem over the next ten or fifteen years, that the United States could not afford to take any short-term view of it.

Governor Stassen replied to the President that if the review of the lists, which was now being carried out by the EDAC–ACEP group on a reasonable basis, could be carried to its conclusion and the British request did not interfere, he was quite sure that the result of the reappraisal would give the President what he felt was necessary without involving too serious repercussions in Congress. But, said Governor Stassen, he was completely convinced that the Soviets were now purchasing from the free world just about everything that they could afford to purchase. The Soviets were obliged to use the resources they had on a very restricted "shopping list". If the free world suddenly expanded this shopping list, the Soviets would not actually buy very much more than they are now buying. Instead, they would use their restricted resources to select and purchase from the expanded shopping list precisely what they most needed to develop their war potential. This, said Governor Stassen, presents us with a very serious problem. While we may be obliged to make certain concessions to our allies and expand our present tight shopping list more than we regard as wise, we certainly ought to continue to try to restrict this list in view of the fact that there will be very little net advantage to the free world in its indiscriminate expansion.

The President commented that all this sounded very good in theory, but he would like to see it tested in practice. The position of the Council, continued the President, seemed to him very different when it studied the other side of the coin. For example, when we were discussing the problem of Indonesia it was the view of many members of the Council that the United States should not buy the rubber and tin which formed the basis of the Indonesian economy. But we nevertheless insist that Indonesia continue to act as an ally. This was completely unreasonable, and some kind of a *modus vivendi* must be devised if we were not to lose all of our allies.

Governor Stassen reassured the President that it would be possible to find such a *modus vivendi*. Obviously, the United States would have to continue to purchase certain raw materials which we did not need for our stockpiles. But Governor Stassen again expressed doubt whether, in order to save our allies, it was really necessary to widen the shopping list for East-West trade to the extreme point advocated in the UK proposal.

After a brief exchange of views on the purchase of raw materials by the United States, between Governor Stassen and Secretary Humphrey, Mr. Cutler suggested that before the Council got down to a detailed discussion of the problem, there were three or four background views which should be presented. The first of these was the intelligence appraisal of the problem, which Mr. Cutler invited Mr. Dulles to provide the Council.

Mr. Dulles said initially that there was one important point which must not escape the Council's attention. If we opened up trade with the Soviet Union we automatically opened it up with Communist China, since the Soviets would undoubtedly resell to China strategic materials which it had itself purchased from the free world countries.

Mr. Dulles then read various paragraphs from a CIA estimate on the effects of the proposed relaxation of controls, both on the Soviet economy and on the economies of the free world nations.[4] He concluded that there would be no substantial advantage to be gained by the free world from the proposed relaxation, but on the other hand, the over-all effect of the relaxation on the Soviet economy would not be very significant except in a certain limited number of key strategic items. In the latter case, ability to purchase these items would break certain bottlenecks in the development of Soviet war potential.

Mr. Cutler then called on the Acting Secretary of State for his views. Secretary Smith said that he was now convinced that the economic lever was the most powerful weapon the free world possessed in the cold war. He agreed with the point made by Mr. Dulles with regard to Communist China profiting from an increased trade between the Soviet Union and the free nations, and emphasized that the present embargo on Communist China was severely punishing that country and throwing the whole Chinese economy back on the Russians for support.

Secretary Smith affirmed that he did not like any part of the British proposal, not least of all because it would rob us of an important *quid pro quo* at the forthcoming Geneva Conference. Quite apart from this tactical consideration, Secretary Smith said that the United States should oppose the British proposal because it involved the sale to the Soviet Union of many items of great strategic importance which he believed it was vital to keep from Russia. There would, of course, also be a very violent public and Congressional reaction. As far as he could see, said Secretary Smith, the British were proposing a horse trade Accordingly, they have taken the most advanced position possible for bargaining purposes. We could, of course, not afford to reject the British proposal out of hand, as suggested in Alternative 1. The objective, therefore, was to secure a negotiating position which might end up in a decision to cut the list not by 50%, as the British desired, but perhaps at some level between 20 and 25%. In any case, we must try to assure ourselves of some flexibility in our bargaining position, and this was best secured, thought Secretary Smith, by concurrence in the recommendation of the Planning Board for a message to Churchill from the President.

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[4] Presumably a reference to NIE-100-3-54, Mar. 22, 1954, p. 1121.

Mr. Cutler then pointed out that the British proposal had caused a violent disagreement in the British Government itself. Essentially the British position was that of the Prime Minister himself, supported by the Treasury and the Board of Trade. The Foreign Office and the Defense Ministry had been opposed to so large a relaxation of the export controls. Mr. Cutler thought it desirable to hear from Admiral Radford on this point.

Admiral Radford stated that for some time the Joint Chiefs had been recommending strongly against any radical revision in the control structure. They were opposed to any material changes in the International Lists. As an example of the danger involved, Admiral Radford cited the proposal by the British to sell a 50-kilowatt television transmitter to the Soviets. This proposal had been made under the present control system. The technical know-how which the Russians could derive from the purchase of such a transmitter would be enormous, and such transmitters could be readily adapted to the jamming of free world communications in the event of war. So concerned were the Joint Chiefs of Staff about this item that they were about to send a message to the British Chiefs of Staff pleading with them to use all possible influence to prevent the transaction.

Secretary Smith interrupted to say that the State Department had entered a formal protest with the British Government regarding this sale.

Since, said Admiral Radford, it was possible to send items like this to the Soviet Union under existing controls, the Council could imagine how concerned the Joint Chiefs of Staff were at the prospective relaxation of these controls. Hasty action in connection with Sir Winston's proposal would be very greatly to our national disadvantage. Admiral Radford concurred in the view that the relaxation of controls would not result in a considerably higher level of East-West trade, and would do very little to assist the British economy as a whole. On the contrary, the Russians would limit their purchases to the crucial strategic materials which were in short supply.

Mr. Cutler then called on Secretary Weeks, who said that he was in entire accord with the recommendation made by the Planning Board. Indeed, it seemed to him fantastic that the British, who were members of our team, should propose to sell such materials as nickel to the Soviets when these materials were in short supply in the free world. To sum up his position, continued Secretary Weeks, the Council had originally proposed at this meeting to discuss relaxation of trade controls with Communist China. This was, so to speak, a one-alarm fire. The sudden British proposal represented a four-alarm fire in the next block. This was so much more important that Secretary Weeks believed that we should sit down at once to discuss with the British the proposal they had laid before us.

Mr. Cutler then inquired of Secretary Weeks the probable effect of the British proposal on the United States business community. Secretary Weeks replied that the relation of the U.S. business community to the problem of East-West trade was already sufficiently complicated and difficult. This new British proposal would compound the felony in the eyes of American businessmen.

Mr. Cutler then stated that he believed that if the Council would permit him to read the two-page outline of points to be covered in the communication from the President to Prime Minister Churchill, it would be helpful in clarifying the issues before the Council. After completing his reading of these points, Mr. Cutler indicated that the outline covered all the points raised by the Planning Board in its previous discussion of this outline, with three possible exceptions. One, the desirability of suggesting to the British that we sit down with them to assess the new Soviet trade policy. Two, the desirability of emphasizing to the British the wide area of trade possibilities with the Soviet bloc involving non-strategic materials. Three, the possible solution of Britain's economic problem by developing markets in the free world which would, of course, involve the possibility of lower U.S. tariffs.

Secretary Humphrey said that he now concluded that from the point of view of immediate tactics and immediate U.S. defense requirements, the right thing for the Council to do was to accept the Planning Board's recommendation that the President address this communication to the Prime Minister. Nevertheless, he expressed the emphatic warning that the attempt to maintain elaborate trade controls on East-West trade over the long haul was as foolish as trying to hold back Niagara Falls.

When the President had expressed the most emphatic agreement with Secretary Humphrey's position, the latter went on to suggest the Planning Board alternative as the best short-term action, and thereafter to insist that the National Security Council address itself to a thoroughgoing study of a sensible long-term policy with respect to East-West trade. As a matter of tactics and timing we must separate the long- and the short-term aspects of the problem.

The President said once again that this position was exactly his own. Although he was impressed by Secretary Smith's argument that to give in to the British would endanger our position at the Geneva Conference, he remained convinced that over the longer period we must move to shorten the list of items subject to export control to the maximum possible extent. Actually, said the President, the issue came down to this: If you hope to preserve the free world as an effective unit against the Soviet bloc, you simply can not stifle the trade of the free world.

Governor Stassen repeated his conviction that the free world alone could make itself self-sufficient in the long term. Austria was a good example. It had been freely predicted at the end of the war that the Austrian economy could never be made viable if that country were cut off from its normal trade with Eastern Europe. Despite all these forebodings, the Austrian economy is in a reasonably healthy condition, notwithstanding the fact that the Austrian trade pattern has been completely changed and reoriented to the West. It was, of course, a strain to make such a readjustment, but the Austrian example proved that it was possible. Hence, said Governor Stassen, he was unable to agree that the problem could not be solved on a long-term basis within the free world countries.

Secretary Wilson expressed the conviction that our trade embargoes and controls had placed very heavy pressure on the Communist bloc. Moreover, he predicted that the increase in trade with Russia in the contingency of a relaxation of these controls would ultimately prove very disappointing. Russia has gone a long way on the course of industrialization, and this in itself had changed forever the old pattern of trade by which Russia supplied raw materials in exchange for manufactured goods from Western Europe. What had happened in recent years was like what had happened between the United States and Great Britain fifty years ago, when American industrialization cost the British so much of their market for industrial products in this country.

Mr. Dulles said that he would concur with Secretary Wilson's statement that a relaxation of controls, even on so drastic a scale as the British were proposing, would result in only a limited amount of additional trade between Eastern and Western Europe.

The President, indicating some impatience with this reasoning, said that nevertheless people were going to sell their products wherever they could and wherever they could get the best prices. He was therefore pleading that the United States look at this problem not as something involving the next year or two, but for a very long term. Looked at in this way it was perfectly plain to the President that we could not continue to stifle trade between the East and the West as we were now doing. The President was very emphatic in expressing this conviction, even though he was prepared to admit that at the present moment, and for tactical reasons, we could not agree with the British proposal.

Mr. Cutler then pointed out that the Vice President had come to the meeting at considerable inconvenience in order to express his opinion as to the effect on the Congress of British success for the case they were trying to make. The Planning Board feared that if the British won their case it could well set off a new and very dangerous wave of isolationist sentiment in the Congress. That body might move to cut off all further U.S. assistance to Great Britain.

After a further interval of discussion, the Vice President was finally able to answer Mr. Cutler's query. He said that he felt it was absolutely vital to induce the British to agree to our counter proposal. If they go it on their own and proceed to make the cuts which they envisaged, there would be most serious repercussions in Congress. All the enemies of any kind of East-West trade, all the anti-British elements, and all the anti-UN elements in the Congress would find common ground. We should accordingly take a strong position with the British along the lines of the proposed letter from the President to the Prime Minister. We might even have to make concessions of other types to the British in order to induce them to stay with us on this issue. It would be much easier to induce the Congress to grant such concessions to the British than to agree with the proposals of Prime Minister Churchill.

The National Security Council:

a. Discussed the subject on the basis of the reference memorandum supplemented by oral presentations at the meeting.

b. Recommended to the President that he transmit a personal communication to Prime Minister Churchill generally along the lines proposed by the NSC Planning Board in the "Outline of Principal Points to be Made in Personal Communication from the President to Prime Minister Churchill Concerning U.K. Proposed Revision of East-West Trade Controls", dated March 10, 1954, and distributed at the meeting; with the inclusion of an additional point suggesting that the US–UK negotiating officials jointly assess the current Soviet trade policy.

c. Agreed that, with the President's approval, the Department of State in collaboration with other interested agencies should prepare a draft of such a communication for the President's consideration.

Note: The actions in b and c above, as approved by the President, subsequently transmitted to the Secretary of State for implementation.

[Here follows discussion of United States and free world controls over transactions with Communist China, United States policy toward Spain, United States psychological strategy based on Thailand, and the law regarding the order of succession to the presidency.]

Editorial Note

On March 12, 1954, the Cabinet approved the draft of an interim report by the President's Mineral Policy Committee on stockpiling strategic metals and minerals. The Committee, also known as the Cabinet Committee on Minerals Policy, had been established in November 1953 pursuant to a letter from the President, dated October 26, 1953, for the purpose of studying and making recommendations on United States policies concerning the production and utilization of these items. The Committee consisted of representatives from the Departments of the Interior, State, and Commerce, and the Office of Defense Mobilization. The Secretary of the Interior served as chairman. In noting that "twice within the last 15 years," the United States had been drawn into conflicts with "almost no stockpile of essential raw materials," the report recommended that the stockpile objectives be raised from what were described as "minimum" standards then existing to a much larger "long-term" standard. The interim report was submitted in final form to the President on March 31. The text of the report is in the Eisenhower Library, White House Central files, 1953-61; a summary of its recommendations is printed in *Current Economic Developments*, Issue No. 439, April 13, 1954. (*Current Economic Developments*, lot 70 D 467) The minutes of the Cabinet meeting of March 12 are in the Eisenhower Library, Eisenhower papers, Whitman file. For a further explanation of the contents of the report and the steps to be taken toward its implementation, see the memorandum by the President to Flemming, April 14, page 1145. Regarding the Committee's final report, submitted to the President on December 1, 1954, see the editorial note, page 1257.

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 189th Meeting of the National Security Council on Thursday, March 18, 1954 [1]

TOP SECRET EYES ONLY

The following were present at the 189th meeting of the Council: The President of the United States, presiding; the Vice President of the United States; the Secretary of State; Mr. Kyes for the Secretary of Defense; the Director, Foreign Operations Administration; the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Attorney General (for Items 2 and 3); the Director, Bureau of the Budget; the Chairman, Civil Service Commission (for Item 3); the Chairman, Federal Communications Commission (for Item 4); Admiral Carney for the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; the Assistant to the President; Mr. Cutler and Mr. Jackson, Special Assistants to the President; Ralph N. Stohl and John G. Connell, Jr., Department of Defense (for Item 3); Gen. Porter, Foreign Operations Administration (for Item 4); the NSC Representative on Internal Security; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

There follows a summary of the discussion at the meeting and the chief points taken.

At the outset of the meeting the President referred to the draft letter to Prime Minister Churchill on controls on East-West trade, which had been prepared for his signature.[2] The President said that he believed that from time to time it was desirable and useful for him to write personally to the Prime Minister. But in so doing he believed that these letters should concern themselves with general principles rather than details. The Prime Minister was a master at the art of using details to obscure directions, and the President said he did not wish to engage in a contest in which the Prime Minister might well emerge the victor. Accordingly, in future drafts of letters of this sort, the President wished the stress put on the main points and the details omitted.

Apropos of the President's remarks, Secretary Dulles commented that most of our troubles with the British came from the fact that the Prime Minister so often takes matters of foreign policy out of the hands of his Foreign Secretary, Mr. Eden. As we all knew, he had done this in the matter of controls on East-West trade. But it was also the case on such issues as the Iranian oil settlement [3] and the issue of uniforms in the negotiations between the British and the Egyptians. In view of Churchill's tendency to pick up and run with the ball, the United States should make every effort to build up Mr. Eden rather than to play up to Prime Minister Churchill, for Churchill's interference has caused us great difficulty on a number of points.

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[1] This memorandum of discussion was prepared on Mar. 19 by Deputy Executive Secretary of the National Security Council Gleason.

[2] *Infra.*

[3] For documentation concerning the Iranian oil settlement, see volume X.

Mr. Cutler pointed out that the NSC Planning Board had not recommended that the President's letter to the Prime Minister emphasize detail, but had confined itself to listing the more general points which such a letter should contain. Did the President wish the present draft to be done over? The President indicated that he was concerned only with less detailed letters in the future.

Secretary Dulles said that it was necessary to be sure that Mr. Eden got a copy of the President's letter to the Prime Minister, since it was evident that the latter often tried to keep such letters out of Eden's hands.

The President then inquired whether he should add something in his letter to the Prime Minister to indicate his anxiety about the deterioration in the Iranian oil negotiations in London. In response, Secretary Dulles informed the President that he had called in the British Ambassador the previous day and spoken to him very firmly, not only about our concern with the British attitude toward the oil negotiations, but also on their recent failures to cooperate with us in matters concerning the Middle East generally. He had pointed out to the Ambassador that this Government had done its utmost to be loyal to its partnership with Britain in solving the serious problems of the Middle East. If, however, the British insisted on pursuing courses of action in the Middle East which always ended in failure, it would be obviously necessary for us to reconsider our whole approach to the Middle East problem.

The Vice President commented that he was very concerned about the situation that Governor Stassen would face when he came before Congress to ask for money for assistance to Iran. This might prove the occasion of an outcry in Congress against the British for delaying a settlement of the oil controversy and forcing the United States to pay out large sums to support the Iranian economy in the absence of such a settlement.

The President then volunteered some observations in explanation of Prime Minister Churchill's recent actions. As he grew older, said the President, the Prime Minister was more and more vulnerable to any and all who advised him to take the strongest possible stand in support of Britain's colonial and imperial prestige. After all, we should not forget his famous observation that he had not become the King's First Minister in order to preside over the dissolution of the British Empire. Essentially, his attitude toward the

British Empire was Victorian in many respects, and the vanished grandeur of the Empire became, as he grew older, more and more compelling.

[Here follow discussion of the Caracas Conference, the question of subversives in industry, security requirements for government employment, electromagnetic communications; and an oral briefing by the Director of Central Intelligence on significant world developments affecting United States security.]

Secretary's Letters, lot 56 D 459, "M"

President Eisenhower to Prime Minister Churchill

SECRET [WASHINGTON, March 19, 1954.]

DEAR WINSTON: I have studied carefully the proposals for relaxation of East-West trade controls which officials of your Government gave to our Embassy in London on March 1.[1] I understand that these proposals have been personally approved by you.

As you no doubt realize, the United States Government has for some time been conducting a searching review of all aspects of East-West trade controls. I can assure you that the United States is prepared to go a significant distance toward the contraction and simplification of those controls—objectives which we both share.

However, we do not believe we should go so great a distance and so suddenly as the United Kingdom proposals suggest. To do so would be, I think, to go beyond what is immediately safe or in the common interest of the free world.

I appreciate the weight that must be given to the strong views in favor of decontrol that are held by the British public and by the British business community. I assume, however, that you equally realize the weight of public and Congressional opinion in the United States and the problems arising out of the Battle Act. It would be most unfortunate if pressures in either of our countries produced reactions adversely affecting Anglo-American relations—political, economic, and military—as well as the strength of the NATO coalition.

Ordinarily, I would not insert into our correspondence any matter of detail that properly belongs to our respective diplomatic services. But because your recent speech[2] indicates that you have personally considered some of the included questions of the broad general subject, I feel a slight deviation from our normal practice is justified.

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[1] For the substance of these proposals, see telegram 3741 from London, Mar. 1, 1954, p. 1082.

[2] The reference here is to the speech of Feb. 25, described in footnote 2, p. 1081.

I feel strongly that the control system must continue to include equipment and raw materials of high war-potential significance, whether or not they have wide civilian use, where the Soviet bloc has a serious deficiency which it cannot overcome in a short time. However, there is room for discussion as to the scope and severity of the controls which should be applied under this principle.

Whereas the United Kingdom proposals would appear to eliminate International Lists II and III, I am convinced that there is an area in which quantitative restrictions are the most appropriate control mechanism. Of course, I recognize that it may be desirable to narrow substantially the area to which such controls need be applied, but I do not think we can scrap them altogether.

These seem to me to be the main differences between us. Although the gap appears wide, we have resolved greater differences before this to our mutual advantage and will do so again. I suggest, then, that we ask our responsible officials to meet together very soon, presumably with their French counterparts, and try to find the common ground on which we can continue jointly to provide constructive leadership to the Consultative Group.

Finally, I have two other suggestions to make. For one thing, I think it would be very useful if our representatives and subsequently the members of the Consultative Group, were jointly to examine and assess the meaning and direction of the Russians' new trade policy, including the much-publicized Russian profession of interest in consumer goods. Secondly, I think it would be advantageous for our representatives to explore ways and means by which the free world might exploit, in its relations with the Soviet bloc, any decision to relax existing controls.[3]

As ever,

D.E.

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[3] Prime Minister Churchill's reply, as follows, was transmitted in telegram 4135 from London, Mar. 24:

"My Dear Friend,

"Thank you for your message of March 19 about the relaxation of East/West trade controls. We shall be very glad to talk over with your representatives the points set out in your message and I would urge that the talks should take place as soon as possible. I agree that French representatives should also take part. I suggest that if possible our officials should be informed before the discussions begin what variations in terms of items your government would wish to add to the revised list we have proposed. Winston." (460.509/3–2454)

INR files

National Intelligence Estimate [1]

SECRET
NIE-100-3-54

WASHINGTON, March 23, 1954.

CONSEQUENCES OF A RELAXATION OF NON-COMMUNIST CONTROLS ON TRADE WITH THE SOVIET BLOC [2]

THE PROBLEM

To estimate the economic, strategic, and political consequences to the Soviet Bloc and the non-Communist world of a relaxation of non-Communist controls on trade with the European Soviet Bloc (USSR and European Satellites).

SCOPE

This estimate is addressed to the general consequences of a program of the character and magnitude indicated in the Assumptions and does not isolate the specific effects of decontrol of particular items.

ASSUMPTIONS

1. By "relaxation of non-Communist controls" is meant the elimination of embargo and quantitative controls on shipment to the European Soviet Bloc of all goods except the following, upon which a complete embargo will be maintained:

a. arms and war equipment as defined in the international "Reference" Munitions List;
b. atomic energy materials and equipment;
c. a limited number of items—mostly electronic equipment and metal-working machinery—which incorporate advanced technology and unique know-how;
d. tankers, fast merchant ships, and certain specialized kinds of ships;
e. a few metals such as molybdenum, cobalt, and nickel of which a great proportion of the total world supply is produced in the Free World; and
f. industrial diamonds and selected manufactures incorporating them.

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[1] For a description of NIEs, see footnote 1, p. 949.

[2] According to a note on the cover sheet, the intelligence organizations within the Departments of State, Army, Navy, and Air Force, the Joint Staff of the Joint Chiefs of Staff and the CIA participated in the preparation of this estimate. All members of the IAC, except the FBI, which abstained because the subject was outside of its jurisdiction, concurred in this estimate on Mar. 16.

2. Present non-Communist controls on trade with Communist China would be maintained.

3. The US would not impose more stringent controls on trade with the Bloc than its allies did.

CONCLUSIONS

1. Any approach to the problem of Communist–Free World trade must be made in the light of the estimate of NIE–95 and SNIE 11–54,[3] which conclude in substance: (a) that there is no sign that the ideological dynamism of the Communist regime is abating; (b) that the fundamental hostility of the Communist rulers toward the Free World remains unchanged; and (c) that their basic objectives continue to be an expansion of their own sphere of power and the eventual domination of the non-Communist world.

2. Communist proposals and actions in the politico-economic field must be regarded as designed primarily for the advancement of their basic objectives. One of these major objectives is the promotion of self-sufficiency within the Bloc. Bloc trade practices are only in part governed by the normal trade purposes of non-Communist countries.

3. Non-Communist export controls have hampered the development of Bloc economic and military power. The volume of trade between the European Soviet Bloc and the non-Communist world has declined by about 25 percent since 1948. This decline has been partly caused by export controls. It has also been caused, in part, by Bloc policies of self-sufficiency and integration of the Satellites into the Bloc trading area.

4. The relaxation of non-Communist controls on trade with the European Soviet Bloc would probably produce an increase in Bloc imports of decontrolled items on the order of one-half billion dollars annually, but the volume of such imports might for a year or two range as high as one billion dollars a year.

5. Relaxation of non-Communist trade controls would increase Bloc economic capabilities. However, the over-all effect would probably not be significant because:

a. The estimated increase in Bloc imports would be small relative to Bloc output; and

b. Bloc adjustments to non-Communist trade controls and general Bloc progress toward self-sufficiency under controls have almost certainly reduced Bloc needs for the categories of goods which would be decontrolled.

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[3] NIE–95, "Probable Soviet Bloc Courses of Action Through Mid-1955," Sept. 25, 1953, is summarized in a memorandum by Armstrong to the Secretary of State, Sept. 30, 1953, printed in volume VIII. SNIE–11–54, "Likelihood of General War Through 1957," Feb. 15, 1954, is not printed.

6. The assumed program or relaxation of controls would improve the Bloc's strategic position. There are almost certainly various bottlenecks in the Bloc economy which would be relieved by the importation of the items assumed to be decontrolled. Certain scarcities would be remedied. In these ways the Bloc economy would gain advantages from the decontrol. However, since we estimate that the assumed relaxation of controls would not significantly increase the total Bloc output of goods and services and would be unlikely to increase the proportion of that output devoted to military production or use, the increase in total Bloc military potential would almost certainly be small.*

7. Certain strategic gains would accrue to the Bloc from a relaxation of non-Communist export controls, particularly in the short period following decontrol. Their value to the Soviet Bloc would be increased if Bloc leaders anticipate the outbreak of general war in the near future. Over the long run Bloc military capabilities would be somewhat enhanced by the slightly higher rate of economic development and the greater flexibility which a relaxation of non-Communist trade controls would make possible.

8. Increased trade with the Bloc consequent upon relaxation of controls would have no significant direct economic effect on the US and only a modest over-all economic effect on the non-Communist world. However, some Western European countries would anticipate significant economic gains from expansion of trade with the Bloc. It is improbable that such trade as is likely to result from the relaxation of export controls would have any significant effect upon the military potential of the non-Communist world.

9. The relaxation of non-Communist controls on trade with the European Soviet Bloc, including the Soviet Far East, would considerably reduce the effectiveness of existing non-Communist controls on trade with Communist China. In this situation, maintenance of these controls would cause resentment in the non-Communist coun-

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*The Director of Naval Intelligence, the Assistant Chief of Staff, G-2, Department of the Army, and the Deputy Director for Intelligence, the Joint Staff, believe that the last sentence of Conclusion 6 should be amended as follows:

"However, since we estimate that the assumed relaxation of controls would not significantly increase the total Bloc output of goods and services and would be unlikely to increase the proportion of that output devoted to military production or use, the increase in total Bloc military potential would probably be small on a quantitative basis. Qualitatively this increase resulting from the assumed relaxation of controls could provide significantly important additions to Bloc military capabilities." [Footnote in the source text. A footnote to the above-quoted passage reads as follows:

"It must be borne in mind that under any system of trade controls, there is always danger that individual items capable of conferring strategic advantage may be obtained by the Bloc. This danger might be increased by relaxation of controls."]

tries with an economic interest in trade with Communist China, particularly Japan.

10. The governments of most countries participating in the non-Communist export control system now believe that the effect of present controls on Soviet Bloc power is disproportionately small in relation to the domestic political disadvantages and the loss of trade opportunities which these controls entail. The present arrangements are, therefore, a growing source of irritation and impatience with US leadership and of differences between other members over relative stringency of controls and enforcement. If controls are maintained as at present, dissension over them will contribute to the vulnerability of certain non-Communist countries, for example France and Italy, to Bloc economic and psychological warfare. A relaxation of trade controls would probably influence the COCOM countries which favor it to be more cooperative in administering the remaining controls, although pressures for further decontrol of individual items will probably recur.

DISCUSSION

I. Effect of Non-Communist Export Controls Upon the Soviet Bloc

11. Non-Communist export controls, which have been developed progressively since March 1948, have had some effect in retarding the Soviet Bloc's over-all economic development and the growth of Bloc military potential. Both of these effects have been due, in part, to the burden of the economic adjustments forced upon the Bloc by deprivation of imports of strategic goods. The strain involved in effecting these adjustments was greatest in the period immediately following the imposition of controls and has continued, though in diminishing intensity. Growth of Bloc military potential has been hindered also directly by controls upon the export of non-Communist arms and war equipment. Controls on arms and war equipment would not be affected by the program of decontrol assumed in this estimate.

12. It is probable that by this time the Bloc has carried out extensive adjustments to the imposition of non-Communist export controls by reallocating scarce materials from the less strategic industries, by developing substitutes, and by providing new capacity for production of formerly imported goods. However, even after such adjustments have been made, it probably still costs the Bloc more to produce most of the controlled items than it would to purchase them in the markets of the non-Communist world. The Bloc's continuing desire for certain items controlled by the non-Communist export control system is clearly indicated by the elaborate and costly means by which the Bloc seeks to import these items. By

contrast, the Bloc has not, at least until recently, exerted itself to expand its imports of consumer goods and other noncontrolled items.

13. It is evident, therefore, that non-Communist export controls have hampered the development of Bloc economic and military power. The problem is to determine how much the Bloc's economic and military power would be enhanced by the assumed relaxation of controls, as well as to determine the effects of such a decontrol program upon the cohesion and strength of the non-Communist world.

II. Level and Pattern of Trade Between the Bloc and the Non-Communist World in the Event of a Relaxation of Trade Controls

The Soviet Bloc

14. The volume of trade between the European Soviet Bloc and the non-Communist world has declined by about 25 percent since 1948. This decline has been partly caused by export controls. It has also been caused, in part, by the Bloc policies of self-sufficiency and integration of the Satellites into the Bloc trading area. It is unlikely that the Kremlin would make any important modification of these basic policies as a consequence of the relaxation of non-Communist trade controls. The Soviet Bloc would probably not seek to resume the importation of decontrolled items at the level and pattern of the period immediately preceding the imposition of controls.

15. We have estimated that, "The Bloc could almost certainly expand its external trade to, say, two or three times the 1952 level without markedly retarding its progress toward self-sufficiency."† Most of the goods that the Bloc is currently and legally importing are probably important enough to the Bloc so that their importation would continue even after presently controlled items became available. Hence the removal of controls would almost certainly result in an increase in the total volume and value of Bloc importations from the non-Communist world, not simply in a substitution of new imports for those presently purchased. To the extent that the efforts of the Bloc to maintain or to increase trade with the non-Communist world have in the past been determined by the economic warfare objective of fostering dissension in non-Communist countries over export controls, the relaxation of controls would reduce the vigor of such efforts.

16. Relaxation of controls on trade with the European Soviet Bloc would permit Communist China to obtain the decontrolled

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†See NIE 10-54, "Soviet Bloc Economic Warfare Capabilities and Courses of Action," 9 March 1954, paragraph 4. [Footnote in the source text. For text of NIE-10-54, see p. 1088.]

items via European Bloc countries. Communist China would thereby be enabled to obtain from non-Communist sources commodities which it cannot now import from such sources and which the European Soviet Bloc is unwilling or unable to supply in adequate quantity. The extent to which Communist China could obtain additional imports in this manner would depend on decisions of the Kremlin which would be affected by considerations of general Sino-Soviet relations, as well as by the increased ability of the European Soviet Bloc to obtain decontrolled items from non-Communist countries. Moreover, the increase in trade between the European Bloc and the non-Communist world might also enable Communist China to develop additional export outlets in non-Communist countries through European Bloc countries and thus increase Communist China's ability to pay for imports. These developments could not be prevented by present controls on shipping services and bunkers in connection with trade with Communist China, and would be facilitated if the relaxation of controls on trade with the European Soviet Bloc were to make non-Communist ships more freely available for sale to European Bloc countries.

The Non-Communist World

17. Under conditions short of war or the immediate threat of war, it is likely that expanding productive capacity in the non-Communist world will result in increasing pressure to find markets for the goods of the type which would be decontrolled. There will be enough economic slack in most non-Communist countries, even in the absence of recession, to interest them in increased sales to the Bloc. Ability to supply additional exports on a continuing basis may be assumed. In the event of a significant contraction of total demand in the non-Communist world, the pressure to find market outlets in the Bloc would increase considerably.

Effects of Relaxation of Controls Upon the Level and Pattern of Trade

18. If the European Soviet Bloc responded to the assumed relaxation of trade controls by resuming the importation of decontrolled items at the 1948 level, adjusted upward in proportion to the growth of the European Bloc economy since 1948, the annual volume of Bloc trade with the non-Communist world would probably undergo an increase on the order of $500 million. This calculation can only be taken as a rough guide to the results of relaxation of controls. On the one hand, Bloc adjustments to non-Communist trade controls and general Bloc progress toward self-sufficiency under controls have almost certainly reduced Bloc needs for the categories of goods which would be decontrolled. On the other hand, it is possibly that the Bloc would take advantage of decontrol to depart temporarily from its long-run policy of reducing external

trade, in expectation of achieving self-sufficiency at higher levels of output. In this event, Bloc trade with the non-Communist world might, for a year or two, exceed present levels by as much as $1 billion.

19. In view of the time necessary for trade negotiations, production, and delivery, a period of from two to three years would probably be required before the maximum effects of the relaxation of controls were felt. It is also probable as a consequence of a continuation of Soviet Bloc policies of self-sufficiency that there would subsequently be a decline in Bloc trade in relation to income and total world trade.

20. How the increase in Bloc imports would be distributed among the decontrolled items is impossible to determine. It is probable that the Bloc would be particularly interested in importing decontrolled items in such categories as precision instruments, chemical equipment, electronic equipment, diesel engines, and special-purpose ships. The Bloc would probably also desire to import some items of transportation equipment, certain types of ball and roller bearings and high alloy steel, certain types of lubricants and specialized petroleum products, and possibly some types of synthetic rubber. Metals which it is likely to wish to import on a significant scale include copper and possibly lead. The decontrolled goods which the Bloc would be most likely to want to buy would have to come mainly from Western Europe and the US.

III. Effects of a Relaxation of Trade Controls Upon the Soviet Bloc Economic

21. The over-all effect upon the European Bloc economy of the assumed relaxation of trade controls and the resultant increase in trade with the non-Communist world would depend upon the extent to which deprivation of the items proposed for decontrol limits Bloc output and the extent to which free access to non-Communist sources of these items would stimulate the growth of Bloc output. Although it is clear that the Bloc would benefit from decontrol of these items, the adjustments made by the Bloc in response to the imposition of trade controls have gone sufficiently far to make the present importance for economic growth of imports of these items less than it was at the time the controls were imposed. Quantitatively, the effect upon the Bloc of a continuation of controls on the categories proposed for decontrol is the difference between what it now costs the Bloc (in terms of economic resources) to procure those items by all means (including not only domestic production but also illegal imports and payment of premium prices), and what those items would cost if purchased in non-Communist markets in the absence of control. On this basis it is esti-

mated that an increase of one-half to one billion dollars in trade in the decontrolled items would result in a net economic gain to the European Bloc of the order of $300 to $600 million a year, or about a quarter to a half of 1 percent of European Bloc GNP.

22. There are almost certainly various bottlenecks in the Bloc economy which would be relieved by the importation of the items assumed to be decontrolled. Certain scarcities would be remedied. In these ways the Bloc economy would gain advantages from the decontrol. We believe it unlikely, however, that such expansions in individual sectors of the Bloc economy as would result from the assumed importations after decontrol would significantly modify the estimate of the contribution to over-all Bloc economic capabilities as stated in paragraph 21.

Strategic

23. The Bloc would gain a strategic advantage from a relaxation of non-Communist export controls which cannot be adequately measured by the comparatively slight effect which such a relaxation would have on the growth of Bloc GNP or on military expenditures. If the increase in rate of growth of GNP were disproportionately concentrated in the fields of military and military-supporting production, the Bloc would get a considerable strategic advantage from its increased access to non-Communist markets.

24. We believe, however, that the assumed program of relaxation of controls would not greatly advance the rate of growth of the Bloc's military potential, assuming controls to be effectively maintained on the categories listed in the Assumptions, and specifically on items constituting bottlenecks to military production. In the light of the various factors determining the Bloc's over-all allocation of resources, we believe that the assumed program of relaxation of controls would probably not lead the Bloc to increase the proportion of its resources allocated to military use. Since we estimate that the assumed relaxation of controls would not significantly increase the total Bloc output of goods and services and would be unlikely to increase the proportion of that output devoted to military production or use, the increase in total Bloc military potential would almost certainly be small.‡

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‡The Director of Naval Intelligence, the Assistant Chief of Staff, G–2, Department of the Army, and the Deputy Director for Intelligence, The Joint Staff, believe that the last sentence of paragraph 24 should be amended as follows:

"Since we estimate that the assumed relaxation of controls would not significantly increase the total Bloc output of goods and services and would be unlikely to increase the proportion of that output devoted to military production or use, the increase in total Bloc military potential would probably be small on a quantitative basis. Qualitatively this increase resulting from the assumed relaxation of controls could provide significantly important additions to Bloc military capabilities." [Footnote in the source text.]

25. Certain strategic gains would accrue to the Bloc from a relaxation of non-Communist export controls, particularly in the short period following decontrol. The opportunity to build up strategic stockpiles of such materials as copper and lead, to acquire certain kinds of machinery and equipment, and to build up its merchant fleet, would be particularly useful if the Bloc anticipated the outbreak of general war§ in the near future. Over the long run Bloc military capabilities would be somewhat enhanced by the slightly higher rate of economic development and the greater flexibility which a relaxation of non-Communist trade controls would make possible.

Political

26. The relaxation of non-Communist export controls as assumed would not significantly affect the political cohesion of the European Soviet Bloc. However, the continuation of present controls over trade with Communist China might occasion some friction between China and the USSR if the Kremlin exploited its monopolistic position as agent for Chinese purchases of decontrolled items. While the Bloc would probably regard the relaxation of controls as in part removing an important target of psychological warfare in the non-Communist world, Bloc propaganda would almost certainly attempt to portray the relaxation as a victory for the Communist "peace campaign." Bloc economic planners, although they would be quick to take advantage of the opportunities offered to increase imports of scarce items, would nevertheless be inclined to view the relaxation with suspicion and for some time after would be prepared for a reversal of non-Communist trade policy. The fundamental hostility of Bloc leaders to the non-Communist world would remain unchanged.

IV. Effects of a Relaxation of Trade Controls Upon the Non-Communist World

Economic

27. The increase in trade between the non-Communist world and the Soviet Bloc which would result from relaxation of trade controls, would have only a modest over-all economic effect on the non-Communist world. In the next several years, however, such an increase in trade would be attractive to some Western European countries. Although the underlying economic position of most Western European countries is now stronger than at any time in the postwar period, Western Europe is likely to have unutilized capacity in the chemical, metallurgical, and engineering industries. These industries could readily supply the increase in exports to the

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§See SNIE 11-54, "Likelihood of General War Through 1957," 15 February 1954. [Footnote in the source text.]

Soviet Bloc without curtailing exports to other markets. Some non-Communist raw-materials-producing countries would also be benefitted, but only moderately. Increased trade with the Bloc would have no significant direct economic effect on the US.

28. Increased trade with the Bloc would, however, offer dollar-saving opportunities for Western Europe. The Bloc could increase by about one-third of a billion dollars its present exports to Western Europe of grain, timber, sugar, and other primary products to replace purchases from the dollar area. In addition the Bloc could sell gold to Western Europe in the event of an import surplus. Although dollar savings are less important to Western Europe than formerly because of the improved dollar position of the area, they may become of increasing significance after 1955, if US economic aid and extraordinary dollar expenditures drop sharply.

29. Most of the underdeveloped countries in the non-Communist world stand to gain little economically from such trade as is likely to result from the relaxation of trade controls, and may actually suffer an economic loss as a result of such trade. On the one hand, the only strategic commodities of any economic significance produced by these countries which might be decontrolled are copper and lead. With decontrol Bloc imports of these and certain other minor items might amount to $50 million per annum at the most. On the other hand, the Bloc will seek to pay for its increased imports chiefly through sales of primary products. These exports by and large will compete with the exports of underdeveloped countries in the non-Communist world and could depress already weakening prices for such products as wheat and manganese.

30. An increase of trade between non-Communist countries and the Bloc based on Bloc imports of decontrolled items would, if concentrated in certain of the weaker non-Communist countries, tend to establish a degree of economic dependence in those countries on the Bloc which the Bloc could exploit for economic warfare purposes. ||

Strategic

31. It is improbable that such trade as is likely to result from the relaxation of export controls would have any significant effect upon the military potential of the non-Communist world. Relaxation of controls might contribute to a relaxation of tensions between the non-Communist world and the Bloc. Any significant relaxation of tensions would probably lead some non-Communist countries to reduce their military expenditures.

Political

|| See NIE 10-54. "Soviet Bloc Economic Warfare Capabilities and Courses of Action," 9 March 1954. [Footnote in the source text.]

32. The present international system of export controls commands at best lukewarm support in the non-Communist world outside the US. The other members of the Coordinating Committee for the international trade control program (COCOM) regard the present arrangements as no longer appropriate to a period of apparent relaxation of tensions and view them as disproportionately costly in relation to their effect upon Bloc economic and military capabilities. They consider that these measures will not in the long run make an appreciable difference in Soviet Bloc capabilities relative to the capabilities of the non-Communist world. They believe that in the short run the risk of general war, while not absent, is not great enough to warrant foregoing the gains from trade which they believe would follow the relaxation of controls. These governments, moreover, are under frequent pressure from various business and labor groups to authorize particular transactions now precluded under existing international restrictions. The present arrangements are, therefore, a growing source of irritation and impatience with US leadership and of differences between other members over relative stringency of controls and enforcement.

33. If controls are maintained as at present, future COCOM deliberations both on policy and on questions of particular transactions will probably be marked by persistent UK reluctance to support the US position. Since the other members of COCOM have never been willing to go further than the UK and have generally followed the latter's lead, the US will probably meet increasing opposition and progressive erosion of the present control system through the granting of exceptions and the relaxation of enforcement. However, the UK and the other members of COCOM will almost certainly not choose to run the risk of breaching their relations with the US over the issue of trade controls.

34. If controls are maintained as at present, dissension over them will contribute to the vulnerability of certain non-Communist countries, for example France and Italy, to Bloc economic and psychological warfare.

35. COCOM countries would probably find the short list of strategic items which would be retained under the assumed program of relaxation easier to administer and enforce than the present lists, and the character of the items on the short list is such as to make disputes on the retention of individual items less frequent. A relaxation of trade controls would probably influence the COCOM countries which favor it to be more cooperative in administering the remaining controls, although pressures for further decontrol of individual items will probably recur.

36. The relaxation of non-Communist controls on trade with the European Soviet Bloc, including the Soviet Far East, would consid-

erably reduce the effectiveness of existing non-Communist controls on trade with Communist China. In this situation maintenance of these controls would cause resentment in the non-Communist countries with an economic interest in trade with Communist China, particularly Japan.

37. For some of the weaker non-Communist countries, a large expansion of trade with the Bloc could increase Soviet political influence. We believe that the Bloc would make a relaxation of controls the occasion for intensifying its efforts to augment the size and number of its overseas trade missions and establishments, and that some non-Communist states would permit such augmentation. Whatever success the Bloc achieves in this regard will contribute to its potential for espionage, subversion, and propaganda.

460.509/3-2754: Telegram

The Secretary of State to the Embassy in the United Kingdom[1]

TOP SECRET PRIORITY WASHINGTON, March 27, 1954—8:15 p.m.

5011. Eyes only Ambassador and Stassen. There follows (1) text of letter from Prime Minister to President received today and (2) text of President's reply which you should deliver to Churchill:

(1) "My dear Friend,

"Thank you very much for your letter about East/West Trade.[2] As consultation and discussion between our two countries were urgent, I sent you my telegram of today's date.[3] I now venture to put before you some of the wider considerations that have influenced my thought.

"While doing all that is possible to increase our joint strength and unity, I am anxious to promote an easement of relations with Soviet Russia and to encourage and aid any development of Russian life which leads to a wider enjoyment by the Russian masses of the consumer goods of which you speak and modern popular amenities and diversions which play so large a part in British and American life. I hope that this process will lead to some relaxation of the grim discipline of the peoples of this vast land ocean of Russia and its satellites. Moreover, trade means contacts and probably involves a good deal of friendly infiltration which I think would be to our advantage from every point of view, including the military.

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[1] Drafted by Bonbright and cleared by Walter Trulock of S/S. Prime Minister Churchill's letter, which is quoted in the telegram, was dated Mar. 24 but did not reach President Eisenhower until Mar. 27.

[2] This is presumably a reference to the letter from President Eisenhower to Prime Minister Churchill, Mar. 19, 1954, p. 1119.

[3] This is presumably a reference to the message of Mar. 24, quoted in footnote 3, p. 1120.

"I am, of course, opposed to exportation to Russia of weapons or military equipment in a direct form, but I do not think this principle should be used to ban so many items because they might be used for military purposes in a secondary or subsequent stage. Any advantage given by this would only be on a small and almost trivial proportion of Russian armaments, for the whole scale of East/West Trade is small and we should be dealing only with a percentage of a percentage. I do not think this ought to stand in the way of the widening of commercial intercourse so long as only conventional forms of equipment are concerned. On the contrary I believe that even in this limited military sphere we should, I think, gain as much or almost as much as we should lose.

"Over and beyond that there are those hopes of a broadening of Russian life and relaxation of international tension which may lead to the reestablishment of a peaceful foundation for the tormented and burdened world.

"How minute do all these military considerations, arising out of trade as limited, appear compared to the Hydrogen bomb and the rapid progress the Soviets are said to be making with it. There is the peril which marches toward us and is nearer and more deadly to us than to you. We may be sure that whatever raw materials or equipment is available to the Russians, whether from their own resources or from imports, the first priority will be given to nuclear expansion, just as at a former stage in Germany guns counted before butter. I fear, therefore, that even a total prohibition of all East/West Trade would not impede the physical progress of these fearful forces. On the other hand there is the hope that the sense of easement may render more fruitful those tentative yet inspiring conceptions of which you told me at Bermuda and with which your letter of March 19, which I received yesterday and to which I will reply later, also so pregnantly deals.[4]

"I have not hampered this expression of my most anxious thought by expatiating on the well known arguments about British trade in the present economic phase. I will merely mention the headings. If the United States will not let us pay for her goods by rendering reciprocal services and make a reasonable proportion of things your people want or might be attracted by, as is our deep desire, the present deadlock must continue. As the old tag says, those who do not import cannot export. I have learned all about these difficulties from my political youth up and am making no complaint. 'Off shore' purchase is a Godsend, but you are still in the position of having to give away on a vast scale with generosity and human patriotism what we should like to earn by hard work and mental exertion. The arrival of Germany and Japan in the world market make it necessary that we should open out our trade in every possible direction for we have to keep 50 million people alive in this small island as well as maintaining the greatest armaments next to your own in the free world.

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[4] The reference by Prime Minister Churchill to the "tentative yet inspiring conceptions" is not clear. For documentation on the Bermuda Conference between the heads of government of the United States, the United Kingdom, and France, Dec. 4–8, 1953, see vol. v, Part 2, pp. 1710 ff.

"As the proportions of our trade with Russia must in any case be on a minor scale for many years, I cannot rate the commercial aspect so highly as I do those I have mentioned above.

"I enclose a copy of the telegram which I have agreed with my colleagues and which will by now have reached you.

"(Longhand) With all good wishes, Yours ever, Winston S. Churchill."

(2) "Dear Winston:

"Your letter of March 24th only reached me Saturday afternoon, the plane which brought it having been delayed. Consequently I did not have an opportunity to go over it with Harold Stassen before he left for London.[5] However, Harold is fully informed of my views on this difficult and important matter. As I indicated in my earlier letter your proposals in this field seem to go a bit further than seems wise or necessary. However, it remains my hope that after Harold has explained the lines along which our thoughts are running, and when we pass from general to the concrete we shall be able to reach agreement.

"With warm regards

"(Signed) Ike."

DULLES

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[5] Regarding Governor Stassen's trip to the United Kingdom, see telegram 4201 from London, *infra*.

460.509/3-2954: Telegram

The Ambassador in the United Kingdom (Aldrich) to the Department of State

TOP SECRET PRIORITY LONDON, March 29, 1954—1 a.m.

4201. Eyes only Dulles and President. From Aldrich and Stassen.[1] Thorough and fruitful after dinner conversation tonight East-West trade issues at Chequers with Churchill, Thorneycroft, Reading, Cherwell. Churchill developed his theme (his letter[2] to President) that expanded trade directed toward consumer interests of Soviet area peoples should be contemplated specifically indicating that he considered and rejected "stringent economic discontent approach" and favored affirmative "better life if you accept it" approach. Also indicated he realized trade and contact with German people under Hitler had not prevented World War II but stated he believed Russian people were different because of their long grim experience. He inquired as to US strategic appraisal. Stassen responded with analysis of high significance of inability today of Soviet to deliver massive comprehensive air and missile attacks, inability to prevent our massive retaliation, and significance of retarding entire field of Soviet mass air and missile capability and electronic and telecommunication field offensively and defensively. Stassen also stressed basic importance of UK and US standing together and taking time necessary to resolve narrowed issues at high level if necessary. Further commented on undesirable aspects of permitting divergencies of UK-US position to be voted on by other nations in COCOM. Churchill expressed general agreement with Stassen's analysis and asked that issues be narrowed by discussions next two days and indicated remaining differences if any might be referred to him and President rather than to vote of Western European nations, concurring in this respect with Stassen comment. He did press for decontrol copper and stated he would trade nickel on list for copper off list. Stassen indicated both should continue under control.

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[1] In response to Prime Minister Churchill's invitation for a team to visit the United Kingdom to discuss the East-West trade issue, a group headed by Governor Stassen had arrived in London on the afternoon of Mar. 27.

[2] Transmitted in telegram 5011, *supra*.

Churchill further emphasized that his one hand approach of a better life for Soviet people not meant to decrease other hand policy of powerful relative military strength. Churchill agreed that credit should not be extended to Soviet and that total volume trade would not be large without credit. He did comment however that Butler would continue to be glad to get gold as their reserves were better but not adequate.

Churchill volunteered that he was being pressed to ask US to call off further hydrogen bomb tests and that he would firmly refuse anticipated questions Commons Tuesday making such request.

All British present indicated appreciation Eisenhower administration policies which had helped strengthen sterling position and minimized effect of economic adjustment in US. Aldrich described US economic position and policies.

Believe excellent basis laid for resolving portion of issues in talks Monday and reserving any remainder issues for further high level review without public split. Also fair prospect of tightened transaction controls by UK on a shorter list of strategic trade.

It will be necessary to indicate yielding on tractors, rubber, and a few other lower priority items.

UK bilateral set Monday morning, French trilateral Monday afternoon.

ALDRICH

460.509/4-554

Memorandum of Conversation, by the First Secretary of the Embassy in France (Conover)[1]

CONFIDENTIAL LONDON, [March 29, 1954.]

Held at: French Ambassador's Residence, London, March 29, 1954

Participants: *French—*
- M. Schumann, Under Secretary Ministry of Foreign Affairs
- M. Charpentier, Min. of Foreign Affairs *and* Chairman, CG
- M. Fouchet, Ministry of Foreign Affairs *and* French COCOM Delegate
- M. Sacle, Ministry of Economic Affairs

American—
- Governor Stassen
- Admiral Delany, Battle Act Administration, Washington
- Mr. Loftus, US Delegate to CG, Paris
- Mr. Goodkind, Department of State
- Mr. Conover, American Embassy, Paris

M. Schumann began the conversation with the comment that he had not, until the week end, had a chance to prepare himself for the coming discussions. He, therefore, was most anxious to hear the American views on the British proposals.

Gov. Stassen stated that the United States fully recognized the advisability at this time of a review of the COCOM lists from the point of view of the long haul concept and for the purpose of eliminating those items not now essential for control. It was not disposed, however, to go as far as the British in reduction of the lists and would wish to have careful examination made of the bases on which any item should be deleted or lowered. He did not, therefore, anticipate that the trilateral discussions at this time would result in detailed review of individual items but rather that the general contour of the criteria to be applied by the COCOM would be agreed upon. For this purpose, the United States had drafted a statement for submission to the CG which might ultimately serve as a guide for the COCOM review. A copy of this statement informally would be transmitted by a member of his Delegation to the French Delegation.

At the same time, Gov. Stassen emphasized, it was the view of the United States, and most particularly of the President, that the three Governments seek to resolve any differences with respect to individual items among themselves, at the highest level if necessary, and not present divergent detailed lists to the CG for the other participating countries to vote upon. It was most essential that tripartite unity be retained.

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[1] This memorandum of conversation was transmitted in despatch 3324 from London, Apr. 5, 1954.

Gov. Stassen added it was the US view that no alterations whatsoever should now be made in the control policy with respect to Communist China and that the COCOM should focus on means of effecting improvements in controls over whatever items remain on the lists.

M. Schumann immediately expressed full agreement with the statement made by Gov. Stassen. He asserted that the French Government equally would wish to avoid having any semblance of disunity among the Big Three voiced in the CG. He would, however, underscore the need to avoid creating the impression that the Big Three had, prior to discussions with the other participating countries, formulated a single, unified, firm position. The smaller countries were extremely sensitive on this score, and it would be most unfortunate were they to conclude that they were being met with a *fait accompli.* He would favor a "concerted" view, not necessarily an "identical" one.

As to the necessity for intensifying controls, M. Schumann said that the French Government long had urged this. He felt that improvement in these controls was important, not only from the point of view of the economic defense position of the West, but equally from the point of view of maintaining the prestige of the Western Governments. The existence of a band of "smugglers" operating with impunity to frustrate West Governments' controls could only impair the respect of the citizenry for their Governments. M. Schumann said that, as he was not a technician, he was not in a position to comment on or evaluate the particular techniques which might be appropriate for such improved enforcement.

M. Schumann indicated that he was currently giving consideration to the advisability of consolidating Lists II and III. He had no firm ideas on this and wished to know the American view. He professed not to have resolved in his own mind whether such a combined list would serve merely for reporting purposes or would be linked with quantitative controls.

Gov. Stassen said that the United States was firmly convinced of the need for quantitative controls over some items, in addition to the list of embargoed items.

M. Schumann inquired whether the Governor had any inkling as to the possibility of the British modifying the viewpoint which they had expressed in the note of March 1.[2] He said that he had been unable to get a sounding on this letter either in Paris or through the French Embassy in London.

Gov. Stassen replied that he had dined yesterday evening with the Prime Minister and other members of the British Cabinet and had the impression that the British were now in a mood for negotiation. He did not think that the British would adamantly maintain the viewpoint earlier expressed by them. In any event, he believed that they, too, would avoid the impression of disunity with the French and the Americans and would not unilaterally table their list proposals in the CG.

M. Schumann then invited M. Charpentier to outline a viewpoint which the latter had yesterday conveyed to him which he thought possessed merit. M. Charpentier said that during the course of his January discussions in Moscow he had conferred with the Swedish Ambassador. The latter had remarked that whereas in 1950 the Russians were intent upon procurement of SKF ball bearings, they now professed to have no interest in these because they had constructed a plant especially designed for production of List I bearings. He therefore thought that in reviewing the present lists consideration should be given to the likelihood that these now merely served to pinpoint for the Russians the bottlenecks and chinks in their war potential. He did not necessarily mean to suggest that we should not have had any ball bearings under embargo, but on the other hand, it would appear that we would have been well advised to permit some embargo types to move to the East.

Gov. Stassen commented that he did not think that the Russians were dependent upon the West and the COCOM lists to learn of their potential weaknesses. At the same time, he thought there was clear evidence that the Russians today were attempting to mislead Westerners by covering up their shortages and professing to have materials in abundance when, in fact, these were in critically short supply. Thus, Western businessmen who had recently visited Russia had on one occasion been shown a warehouse full of copper. These businessmen initially had concluded from this fact that there was no shortage of this material there. Subsequently it had been ascertained that for the purpose of this exhibition the Russians had rounded up all possible stocks from all over the country. The Russians, therefore, were capable of creating "Potemkin villages" for display to visitors and equally capable of offering for sale commodities which they were not really in a position to dispose of and which were, according to our intelligence appraisals, extremely scarce. He would also note that, if carried to their logical conclusion, the conclusions of M. Charpentier might argue in favor of abolition of all controls. This was a conclusion which he was sure was contrary to the resolve of the three Governments.

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[2] For text of the British note of Mar. 1, see telegram 3741 from London, Mar. 1, 1954, p. 1082.

M. Schumann said that he had found M. Charpentier's ideas "intriguing" but he would wish to reflect upon them further. He would emphasize that, given the closer relationship between the economies of Communist China and the Soviet Bloc, increased attention should be accorded to the composition of the goods authorized for Western export to the Bloc. The French, by virtue of the combat in Indo-China, were most intensively and particularly concerned about precluding the delivery of strategic materials to Communist China, directly or indirectly.

Gov. Stassen concluded with the statement that the concept advanced by M. Charpentier would, of course, be further examined in the course of the trilateral meetings.

Mr. Conover thereupon privately gave M. Charpentier a copy of a proposed draft "Instruction from the CG to COCOM on Review of International Lists", inquiring whether M. Charpentier had any comparable documents informally to offer. M. Charpentier said that the French had not yet recorded in documentary form their tentative ideas. However, he could say that, tentatively, the French would propose for retention on List I approximately 143 items and would urge that Lists II and III be combined. The significance of this combined list had not yet been determined.

800.2553/2-1554

The Assistant Secretary of State for Economic Affairs (Waugh) to the Director of the Office of Defense Mobilization (Flemming) [1]

CONFIDENTIAL [WASHINGTON,] March 30, 1954.

MY DEAR MR. FLEMMING: In your letter of February 1, 1954 [2] you requested a report before March 31 on the steps taken to carry out the course of action set forth in Paragraph 15 of NSC 97/6[3] so that a report could be made to the Council at the end of the present quarter. This letter indicates the present status of the problem.

The general approach which the Department has adopted in attempting to achieve the objectives of Paragraph 15 has been to encourage friendly foreign countries, informally and in a spirit of cooperation, in the adoption of policies favorable to oil development within their territories. Such an approach has seemed to hold more promise of success than more direct alternatives in view of the intense feeling of nationalism with which some peoples regard the question of oil development. Because of the highly technical nature of the oil industry and the large capital required for exploration and oil field development, such work can normally be carried out only with great difficulty, if at all, by underdeveloped countries without the aid of outside private capital working under a sound petroleum law and/or concession agreement. Accordingly, wherever and whenever appropriate, and in such a manner as not to interfere in the internal affairs of other nations, the Department encourages and assists friendly foreign countries in the development and establishment of conditions conducive to oil development by private capital.

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[1] Drafted by Eakens and cleared with Willis C. Armstrong.

[2] Not printed. (800.2553/2-154)

[3] Dated Nov. 16, p. 1054.

The most notable recent change in oil policy by a friendly foreign country was announced by Turkey last year. That country, after endeavoring for many years to develop its oil resources as a government monopoly, decided to abandon such efforts in favor of private capital. In the early stages of this reversal in oil policy, Turkey received the advice and assistance of the American Ambassador. Later, Turkey engaged American consultants to draft the necessary legislation, and the new petroleum law was passed by the Grand National Assembly on March 7, 1954. Even before its enactment a substantial number of oil companies had become actively interested in oil exploration and development.

In the recent past in other countries, developments have been both favorable and unfavorable. Under favorable laws and policies oil development in Canada has witnessed unprecedented growth since World War II. Proved crude oil reserves are currently estimated at 1.95 billion barrels compared with only ½ billion barrels five years ago. During the same period production rose from about 34,000 to 220,000 barrels daily. With development continuing on a large scale it may be expected that both reserves and production will increase, thereby further adding to this important nearby source of oil.

In South America both Colombia and Peru have enacted more favorable oil legislation and, in Peru particularly, oil exploration is now in progress by a large number of new companies. The first new foreign oil operation in Bolivia since expropriation of the oil industry in 1937 is being undertaken and there are recent indications that Argentina is looking more favorably upon enlisting the aid of foreign capital in oil development. Argentina has not permitted any increase in the area of foreign oil concessions in the last twenty-five years. Venezuela has been outstanding in its cooperative attitude toward foreign oil companies, most of which are

United States owned. Production is at the high level of approximately 1.9 million barrels per day. While no new concessions have been granted since 1945, the Government of Venezuela is currently giving consideration to opening new areas for exploration and development by private capital. Whether or not such concessions will be granted is not yet known. One question which no doubt has a bearing on Venezuelan policy is the possibility of United States restrictions on petroleum imports. If Venezuelan production is to continue to expand with increasing world demand, the opening of new areas to exploration and development is essential. The latter would also be important from the standpoint of our national security.

In Cuba exploratory activity is underway on a small scale. The Cuban Government has made known its desire to have foreign capital participate in oil development under favorable terms and has offered to match the capital expenditures which foreign companies are willing to commit in the drilling of wells. Brazil, on the other hand, has recently enacted legislation which places all exploration and development work in the hands of a government monopoly and precludes completely participation of foreign capital in the development of Brazilian oil resources. After many years of effort by the National Petroleum Council, an entity of the Brazilian Government, Brazilian crude oil production is insignificant in comparison with national requirements.

In North Africa and the Mediterranean area other favorable developments are underway. Egypt has recently granted a large new concession to an American company. The same company has also obtained a concession in British Somaliland. Libya is giving consideration to the enactment of a new petroleum law which, if enacted, will enable concessions to be granted on terms acceptable to the foreign oil companies. In the meantime, preliminary exploratory work is being undertaken by some foreign companies under the general mining law. In Europe the most significant recent development has been the discovery of oil in Sicily.

In addition to activities encouraging the development of greater oil production capacity in the various countries, the Department has been working closely with the British and the Iranian Governments in an effort to bring the Iranian oil fields back into full production.

With regard to the availability, distribution and effective use of petroleum supplies in the event of war, the Department actively participates in developing the United States position on the various issues and in coordinating United States efforts in connection with the NATO Petroleum Planning Committee.

Under the policies outlined above ever-increasing petroleum production and proved petroleum reserves have become available. The private petroleum companies have shown great interest in widening their exploration and oil development work as favorable laws are adopted and new concession areas become available on satisfactory terms. At present, free world petroleum supplies are at a high level and, if current trends continue, they should be able to keep pace with the increasing free world demand. The Department believes that the policies which it has followed as outlined above offer the best prospects of success and recommends that they be continued in effect.[4]

Sincerely yours,

For the Secretary of State:
SAMUEL C. WAUGH

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[4] In a letter of Apr. 5, Flemming thanked Waugh for the information contained in this letter and promised to incorporate it in a progress report on NSC 97/6 which was due in May. (800.2553/4–554) The progress report, May 27, 1954, is in the S/S–NSC files, lot 63 D 351, NSC 97 Series.

460.509/3–3154: Telegram

The Ambassador in the United Kingdom (Aldrich) to the Department of State[1]

SECRET PRIORITY LONDON, March 31, 1954—1 p.m.

4263. Excon.

1. Following are results of trilateral negotiation London March 29 and 30. Trilateral draft of proposed instructions from CG to COCOM for detailed review of international lists over period approximately three months agreed and will be tabled at CG meeting April 13. Will be circulated in advance as US proposal; UK and French will support in CG. Instruction is in form of general statement of current "long haul" strategic situation in which control system must be formulated in manner giving appropriate recognition to economic, financial, political situations in "PCs", must be more selective, substantially less extensive, simpler and reinforced as necessary to be fully effective. Listing guides (criteria) state item eligible for listing only if in one of following categories:

(1) Materials and equipment designed specifically or used primarily for development, production or utilization of munitions and AE materials.

(2) Materials and equipment incorporating advanced technology or unique know-how acquisition of which expected permit significant advance in Soviet bloc technique in military or AE production

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[1] Repeated to Ankara, Athens, Bonn, Brussels, Copenhagen, The Hague, Lisbon, Luxembourg, Oslo, Paris, Rome, Tokyo, Bern, Stockholm, and Ottawa.

above level developmental ready achieved or expected to be achieved in short period.

(3) Materials and equipment in which Soviet bloc has critical deficiency in relation its military capabilities which could not be overcome within short period.

2. UK agrees not table their short embargo list (135 items) at CG or thereafter without prior Cabinet level consultation with US. Instead UK agrees to immediate tripartite and subsequent COCOM review (within ten days) of current listings in order determine retention or deletion. Tripartite review to be kept secret from other PCs. Re list II, although UK still desires virtual abolition, future of list II will be determined during course technical review.

3. Tripartite technical review starts April 6 with consideration entire field machine tools plus rolling mills followed on April 12 by review electric power generating equipment. Other categories to follow. Trilateral and subsequent COCOM review of all categories hoped to be completed by July 1.

4. UK has agreed institute transaction controls (although this not part of record) on condition list revision satisfactorily completed and necessary transshipment controls instituted by other PCs.

5. Agreed communiqué issued after close of meetings and carried completely by press. Major points were that wide area of agreement reached enabling review in order encourage expansion trade compatible with security requirements by narrowing substantially scope of controls and increasing effectiveness. Foregoing to be accomplished by discussion "other friendly governments". Changes envisaged not applicable China controls.

6. More detailed report together with text of documents being pouched other posts except Ottawa and Tokyo to which detailed cable will follow.

ALDRICH

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 191st Meeting of the National Security Council on Thursday, April 1, 1954[1]

TOP SECRET EYES ONLY

The following were present at the 191st meeting of the Council: The President of the United States, presiding; the Vice President of the United States; the Secretary of State; the Secretary of Defense; the Director, Foreign Operations Administration; and the Director,

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[1] This memorandum of discussion was prepared on Apr. 2 by Deputy Executive Secretary of the National Security Council Gleason.

Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Acting Secretary of Agriculture (for Item 1); Mr. Anderson for the Secretary of Commerce (for Items 1 and 6); the Acting Director, Bureau of the Budget; the Chairman, Council of Economic Advisers (for Item 1); the Deputy Secretary of Defense; Mr. Davis, Assistant Secretary of Agriculture (for Items 1 and 6); Mr. Clarence Francis, Special Consultant to the President (for Item 1); Lieut. Everhart, USNR, Department of Defense (for Item 4); the Chairman, Joint Chiefs of Staff; the Acting Director of Central Intelligence; the Assistant to the President; Mr. Cutler, Special Assistant to the President; the Deputy Assistant to the President; the Acting White House Staff Secretary; Mr. Harlow, Administrative Assistant to the President; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

There follows a summary of the discussion at the meeting, together with the chief points taken.

[Here follows discussion of the disposal abroad of government-owned agricultural surpluses.]

2. *US-UK-France Consultation on East-West Trade* (NSC Action No. 1063)[2]

Mr. Cutler called on Governor Stassen to report briefly to the Council on his trip to London in the interests of reaching agreement with the United Kingdom and France on relaxation of controls on East-West trade.

Governor Stassen said that thanks to the intervention of Sir Winston Churchill and Mr. Eden, his negotiations with the British and French had reached a satisfactory conclusion. The British had reversed their decision calling for an abrupt and drastic decrease of controls, and instead had agreed to our proposal for a rapid and orderly review of the items contained on the International Lists. Governor Stassen cautioned that we should not underestimate the problem facing the British Government with respect to East-West trade. The British Government was confronted on the one hand with demands from the Laborites, who were "soft" on Russia, and on the other with demands from Conservative businessmen who for quite opposite reasons were anxious to extend trade with the Soviet bloc. Accordingly, in carrying out the agreement reached at London for an itemized review of the International Lists, Governor Stassen warned that the United States would have to yield to the British and French and remove the less strategic items from the Lists. On the other hand, if we made this concession the British and French would in turn agree to tightening controls on the strategic items which continued to be listed.

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[2] The reference here is to the directives issued by the NSC at its meeting of Mar. 11, 1954. For the memorandum of discussion at that meeting, see p. 1108.

The President commented that we had better make up our minds to be pretty generous and go along as far as possible with British requests for relaxation of controls on some items.

Secretary Anderson predicted that if the list came out very much shorter than in its present form, we should anticipate pressures from American businessmen for parallel action on relaxing U.S. controls on East-West trade.

Governor Stassen agreed with Secretary Anderson's prediction, but pointed out that there had been no sentiment in London for a relaxation of existing controls on trade with Communist China and North Korea, at least pending a settlement.

Secretary Wilson commented that he would assume that we would not insist upon stricter standards for American businessmen than the British and French for their traders.

The National Security Council:

Noted an oral report by the Director, Foreign Operations Administration, on his consultations with the British and French Governments regarding East-West trade, and agreed as to the necessity for the United States to accept relaxation of controls on less strategic items in the review of the International, and subsequently the United States, Lists.

[Here follows discussion of current national security policies, significant world developments affecting United States security, the United States position with respect to Germany, United States policy toward the Philippines, and the congressional presentation of the Foreign Operations Administration.]

Eisenhower Library, White House Central files, Confidential file

Memorandum by the President to the Director of the Office of Defense Mobilization (Flemming)

CONFIDENTIAL [WASHINGTON,] April 14, 1954.

Subject: Establishment of "Long-Term" Mineral Stockpile Objectives

In view of the discussion at the Cabinet meeting on March 12, 1954,[1] of the "long-term" mineral stockpile objective concept, I hereby direct that you proceed immediately to establish officially the "long-term" objectives for metals and minerals and to devise appropriate programs for their accomplishment.

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[1] Concerning the Cabinet meeting under reference, see the editorial note, p. 1116.

1. The "long-term" mineral stockpile objectives should be calculated to reflect the following:

a. No wartime reliance on sources of minerals located outside of the United States, Canada, Mexico, and comparably accessible nearby areas as defined by the National Security Council. Within the defined accessible area specific supply discounts may be applied when competent interagency advice indicates that such action is desirable.

b. No conservation measures that will jeopardize essential war-supporting activities.

c. Possible destruction of key metal and mineral producing facilities in the U.S.A. and in strategically accessible sources.

d. Reduction of the large wartime tonnages of ocean shipping required by large-bulk items.

e. Stockpiling all or a portion of a material in an upgraded form in which it will be more readily utilizable in the wartime economy.

2. Policies now in effect covering speedy acquisition of materials to meet present minimum stockpile objectives should be continued. Acquisition of materials to meet the increment between the minimum and "long-term" objectives should go forward under comprehensive acquisition plans developed by you which provide for (a) purchases at advantageous prices (normally lower than the individual price trends, with due regard for changes in the value of the dollar) when such purchases will also serve to maintain essential elements of the mobilization base; (b) obtaining strategic and critical metals and minerals in exchange for surplus agricultural commodities; or (c) transferring to the stockpile surplus metals and minerals obtained under the Defense Production Act, the Federal Property Act, and other legislation. The acquisition plans should provide that, in making purchases, preference be given to newly-mined metals and minerals of domestic origin. Wherever possible these purchases should be spread out over a considerable period of time so that operations of domestic producers that are essential elements of the mobilization base can be appropriately maintained or reactivated. In addition, upgrading stockpile materials should normally be done when it can be accomplished at favorable prices and in periods of lowered economic activity. Thus, distressed conditions in connection with domestic mineral industries that are an important element of the Nation's mobilization base can be alleviated.

3. All materials acquired should be held under the safeguards provided by the present Stockpile Act.[3]

4. In acquiring metals and minerals for the "long-term" stockpile objectives, care should be exercised to minimize interference with

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[3] Apparent reference to the Strategic and Critical Materials Stock Piling Act of 1946, commonly referred to as the Stock Piling Act (Public Law 520), enacted July 23, 1946; for text, see 60 Stat. 596.

the normal producer-consumer relationships of regular trade in the United States and in friendly foreign countries. Where more than one agency of the Government is involved in these transactions, your Office is directed to perform a coordinating function.

460.509/4-1654: Telegram

The United States Special Representative in Europe (Hughes) to the Department of State[1]

CONFIDENTIAL PRIORITY PARIS, April 16, 1954—1 p.m.

Polto 1670. Excon. Reference: Poltos 1646, 1654, 1669.[2] Subject: Summary report of CG meeting.

1. Specific results in chronological order were:

a. Approval COCOM, China Committee reports without change.

b. Year's extension d'Orlandi's term as chairman COCOM.

c. Interim (until July 1) continuance Vaes chairmanship China Committee.

d. Turkish general acceptance most COCOM obligations (except installation IC/DV system) which is still under study.

e. Decision hold another CG meeting in July assess results COCOM's list review.

f. Continuation current controls over China trade; however, problem scheduled for review in general way next CG.

g. Approval US list review and diversion proposals (Docs 1563, 1566).[3]

h. Substantive discussion trade tactics (previously considered beyond CG's terms reference) and inference discussion will be extended next CG.

i. Approval resolution advocating "common position" at ECE.[4]

2. Practical results were:

a. US views re procedures for forthcoming list review generally prevailed in instructions given COCOM by CG, i.e., category by category examination, establishment licensing guides, all three lists to be reviewed, en masse implementation after additional CG meeting (with door open, however, for UK raise peel-off cases in COCOM for agreement). While these procedural matters not decisive, obvious under them list review more apt be orderly, security considerations more dominant than if UK desires had prevailed.

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[1] Repeated to London, Bern, Bonn, Brussels, Copenhagen, The Hague, Lisbon, Luxembourg, Oslo, Ottawa, Rome, Stockholm, Tokyo, and Vienna.

[2] None printed. The reference telegrams were dated Apr. 14, 15, and 16, 1954, respectively; each reported in more detail than presented here on the three sessions of the Consultative Group meeting of Apr. 13 and 14. (460.509/4-1454; /4-1554; /4-1654)

[3] Neither found in Department of State files.

[4] Documentation concerning the proceedings at the meeting of the Economic Council of Europe in Geneva in early March 1954 is in file 340.240.

b. Retention concept of quantitative control endorsed by number PCs. While list of items covered under this concept undoubtedly will be reduced, at least this means restricting trade in important items not accepted for embargo and in "special cases" cases will be available.

c. Also generally agreed need exists for some kind of still undefined "surveillance" list.

d. Control mechanisms will be strengthened concurrently with list review. US strong emphasis on need for improved enforcement was seconded by all countries and it was generally accepted that Mutual Security demanded stringent enforcement of whatever shortened list might emerge from the review.

e. Certain of smaller countries, for differing reasons, can be counted upon by US for support on specific issues. Canadians and Italians effectively endorsed most of US position during CG. Germans generally favorable. Belgians understood ready to support US (lack statements at CG ascribed to political crisis at home). Dutch probably would not be troublesome although definite support unlikely. Turkish views, when expressed, coincided with US; may be possible obtain support on particularly important matters even though still "feeling way" in COCOM. On other hand, Danes obviously favor minimum of controls and attempted record reservations throughout; Norway probably "neutral" in most matters though censuring sharply US unilateral controls, especially Battle Act. Japan, Portugal views will be determined by what effect they think particular issue will have on China trade. Considerable credit must be given bilateral talks, both Washington and field, for generally favorable reception US views (rather than UK) at CG, although any appearance open divergence US/UK positions scrupulously avoided.

Text of important statements have been pouched. Amplifying details will appear CG documents in approximately two weeks.

HUGHES

460.509/4-2254: Telegram

The Ambassador in the United Kingdom (Aldrich) to the Department of State[1]

CONFIDENTIAL NIACT LONDON, April 22, 1954—8 p.m.

4663. Excon. Coulson asked Embassy officers call on him this evening order express serious concern of HMG at what they considered be important change of position by US from what had been agreed at trilateral talks with Governor Stassen. Coulson said he was instructed by Ministers to state that they had firmly understood that it was agreed by US that items agreed for deletion from embargo list should be released as agreed category by category.

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[1] Repeated to Paris.

This was, in their view, purpose of reviewing list in accord with agreed priority of categories and this understanding was important reason for British agreement to defer presenting their list COCOM and to go through with advance trilateral review category by category. On basis this understanding they also made statement in Parliament which indicated that this progressive release of items would take place.

They feel unreasonable and impracticable to continue for a further month to refuse exports licenses on orders in hand for items which all agree should no longer be embargoed and urge strongly that US reconsider its present position this point and return to what British had understood was our agreement on trilateral talks.

Embassy officers promised convey this message urgently to Governor Stassen, but made no comment on British understanding of agreement reached in trilateral talks since recollections of Embassy officers present is that proposal for progressive release was put forward by US as important inducement to British to refrain from presenting their list to COCOM.[2]

ALDRICH

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[2] In telegram 5616 to London, Apr. 23, 1954, the Department confirmed that the British interpretation of the review procedure was also Governor Stassen's interpretation, and instructed the Embassy to assure the British Government that the United States would abide by its earlier agreement. (460.509/4-2254)

460.509/4-2754: Telegram

The Acting Secretary of State to the Embassy in France[1]

SECRET PRIORITY WASHINGTON, April 27, 1954—7:20 p.m.

3854. Excon. Embassy should immediately inform French background U.S. decision (Department telegrams to London 5616, 5676 repeated Paris Topol 1261, 3844[2]) order minimize confusion as to U.S. position and avoid as far as possible unfavorable French reaction seeming switch U.S. position.

French may be told of personal understanding regarding "peel-off" between Stassen Thorneycroft entered into during luncheon first day London trilaterals as effort by Stassen dissuade British from tabling short embargo list. Peel-off procedure obviously lesser two evils and U.S. not aware at that time considerable support (including excellent French backing) which subsequently developed for many aspects current control program. Stassen-Thorneycroft agreement not correctly understood at official level U.S. delegation which assumed subsequent discussions at that level in London and Document 1563[3] left subject open for CG decision. Stassen, however, when matter brought his attention after return delegation from CG and raising of question by British reaffirmed his personal commitment stating U.S. must abide by earlier understanding as only honorable course action.

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[1] This telegram, drafted by Buckle and cleared with the Economic Defense Staff in the Department of State as well as with high-ranking officials in the Departments of Commerce and Defense and the Foreign Operations Administration, was repeated to London.

[2] Neither printed; concerning telegram 5616 to London, see footnote 2, *supra;* telegram 5676 to London, Apr. 26, reaffirmed Stassen's commitment to his agreement with Thorneycroft. (460.509/4-2654)

U.S., of course, at no time knowingly pursued two differing courses and assumes French will understand how situation developed. Also trusts U.K. will only attempt invoke "peel-off" method sparingly in order avoid feeling in COCOM British filling Moscow orders before other countries have opportunity compete.

Embassy should express U.S. appreciation for general French support during trilaterals and CG and assure them all future U.S. actions during COCOM review and before next CG will be discussed thoroughly with French.

SMITH

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[3] Not found in Department of State files.

460.509/4-2954: Telegram

The Ambassador in France (Dillon) to the Department of State[1]

SECRET PRIORITY PARIS, April 29, 1954—6 p.m.

4139. Excon. Re Deptel 3854, April 27.[2] Embassy deferring action on ref Deptel until Department has had opportunity to consider Polto 1720[3] and following Embassy comments:

(1) Charpentier has noted reference to "peel-off" in concluding paragraph latest Thorneycroft message and reiterates views recorded in Embtel 4038.[4] He planning invite Schumann's attention thereto as soon as feasible with consequent possibility latter may

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[1] Repeated to London.

[2] *Supra.*

[3] Not printed; dated Apr. 27, 1954, it recommended that the United States, in responding to the British complaint that the United States had reneged on its agreement to delete progressively categories of International List items, attempt to persuade the British Government to reconsider its position. (460.509/4-2754)

[4] Not printed; dated Apr. 23, 1954, it reported that Charpentier had "no doubt whatsoever" that any deletions from the International Lists would be made only at the completion of the review of those Lists, according to the agreement made with Governor Stassen at London in late March. (460.509/4-2354)

enter Thorneycroft–Stassen correspondence with objection of his own. Given firmness of French understanding of what transpired at London and subsequent CG agreement, there is risk that for the US now to reveal that a private understanding was reached between heads of US/UK Delegations during course of trilateral meeting of which third participant was not then (and up to now has not been) informed not only will entail embarrassment to US but more importantly may seriously prejudice future possibilities of Franco-American collaboration in this and other fields.

(2) Department will recall earlier French sensitivity over circumstances that despite general agreement with US views last November on course to be pursued in CG and anticipation that tripartite meetings shortly thereafter to be held, US and UK during succeeding three months carried on bilateral discussions, including shipping control matters, without informing French thereof. French were only informed of these interim developments after newspaper accounts had become so extensive that neither we nor British could deny their accuracy.

(3) This French sensitivity was considerably assuaged by invitation to participate in London discussions where, we believe, they have presumed they were treated on basis of complete equality and kept fully and frankly informed of all relevant personal and official discussions. Should they now be informed in accordance ref Deptel that this assumption is contrary to fact, they will inevitably regard with jaundiced eye any assurances that US in future will keep them thoroughly *courant* with respect to future US actions in this field.

(4) Embassy fully appreciates dilemma posed by Stassen's personal commitment to British as described in ref Deptel. Nevertheless, impressions of official US positions subsequently conveyed in official trilateral discussions in London and subsequently in CG involve serious matter of principle in our dealings with French which may extend to other CG countries. Shift in US position (as understood by others) at this time appears likely to be construed by French and others as special favoritism for British. As indicated Embtel 4038, Charpentier has already interpreted Thorneycroft's pressure as motivated by desire fill Russian orders on hand soonest regardless of economic defense considerations, notably simultaneous need for strengthening COCOM control mechanisms.

(5) Embassy invites attention to circumstances that in tri del meeting Coulson was apprised day before CG meeting of US-French preference for "en masse" procedure on pragmatic grounds and had opportunity then or in course of succeeding two days to refer issue to Thorneycroft for reconciliation with Stassen prior to ultimate adoption CG resolution. He appears to have been given some

latitude to move from Thorneycroft's position, for as indicated Polto 1720 he suggested in CG that deletions take place after full category review rather than item by item. He also agreed with emphasis in CG document 1563 on "en masse" treatment with interim recommendations for deletions highly exceptional. There would appear therefore to have been either some flexibility or some lack of understanding at the official level within the UK Delegation as well, as to the nature and significance of the Stassen–Thorneycroft agreement. Even after Coulson's return to London he appears (Lontel 4663[5]) to have thought agreement with Stassen was reached during trilaterals rather than informal bilaterals.

(6) At this time, to attempt to unwind record of official trilateral discussions at London and in CG and reverse US official position, as it has heretofore been understood, on grounds earlier understanding with UK is over-riding, is likely to provoke embarrassing questions, including reference to significance of US professions to French of desire for tripartite unity. Expressions of US appreciation for general French support during trilaterals and CG now would raise question as to which US position they are deemed to have supported. Indeed present dilemma in part stems from fact that French did agree with US and overwhelming majority of other countries in CG on merits of "en masse" approach.

(7) Emb endorses view expressed in para A.1 of Polto 1720. In its view Stassen might readily acknowledge validity of Thorneycroft understanding of luncheon agreement but emphasize this was not conveyed by either party to French, or clearly reflected in trilateral conclusions, that French construe official record of London discussions as controlling, and their subsequent actions based on such interpretation. French willingness to defer pressing for immediate imposition of transactions and transit controls may be modified in fashion contrary to UK interests or desires should Thorneycroft persist in demands for full implementation of his personal understanding with Stassen. Moreover, other CG PC's may interpret reversal of official US position in a fashion uncomplimentary to both the US and the UK, which would not enhance the ability of the two countries jointly to influence other partners or induce these objectively to appraise their obligations and personal sacrifices in the interest of the common defense effort. As UK will appreciate, there are broader issues at stake. We would hope that it could now reconsider its position in the context of developments subsequent to the bilateral London conversations.

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[5] Dated Apr. 22, p. 1148.

(8) Should foregoing (para 7) personal appeal to Thorneycroft (not to be repeated to Schumann) fail to induce UK to reconsider, Embassy proposes following:

a. In private communication to Thorneycroft (not to be repeated to Schumann) Stassen say that the CG instruction does not necessarily conflict with the private understanding, provided the UK proposals for deletions are reasonably limited in number and truly exceptional. In such cases US would be prepared support UK proposals. However, should UK propose immediate peel-off of all items agreed in COCOM for eventual decontrol and should US support these proposals in accord US–UK agreement, the existence of this understanding soon would be perceived by all PC's with possible unfortunate consequences outlined above.

b. In communication from Stassen to Thorneycroft with copy to be made available to Schumann, Stassen merely say CG instruction appears to meet Thorneycroft's concern and US prepared sympathetically consider any proposals for immediate deletion of items agreed by COCOM no longer to merit any control.

c. No statement be made to French along lines of ref Deptel. Necessity for any private statement to them will depend upon subsequent developments and should be tailored to meet specific cases involving UK deletion proposals as they arise, i.e., US emphasis in discussions with French would then be on merits of specific proposals rather than on obligations stemming from prior, undisclosed personal agreement.

DILLON

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 194th Meeting of the National Security Council on Thursday, April 29, 1954[1]

TOP SECRET EYES ONLY

The following were present at the 194th Meeting of the Council: The President of the United States, presiding; the Vice President of the United States; the Acting Secretary of State; the Acting Secretary of Defense; the Director, Foreign Operations Administration; and the Director, Office of Defense Mobilization. Also present were Elbert P. Tuttle for the Secretary of the Treasury; Stanley N. Barnes for the Attorney General (Items 2 and 3); Samuel W. Anderson for the Secretary of Commerce (Item 1); the Acting Director, Bureau of the Budget; the Chairman, Atomic Energy Commission (Item 4); the Administrator, Reconstruction Finance Corporation (Item 1); the Chairman, Council of Economic Advisers (Item 4); the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; Robert Cutler, Special Assistant to the President; the Deputy Assistant to the President (Items 1, 7 and 8); the White House Staff Secretary; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

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[1] This memorandum of discussion was prepared on Apr. 30 by Deputy Executive Secretary of the National Security Council Gleason.

There follows a summary of the discussion at the meeting and the main points taken.

1. U.S. Rubber Policy (NSC 5417[2])

After Mr. Cutler's analysis of the report, including the recommendations by the Planning Board with respect to feasible forms of assistance to the natural rubber producing countries, the President was the first member of the Council to express an opinion. He inquired whether paragraph 2–*a*, which called for U.S. assistance to improve the efficiency of the natural rubber countries, would not in fact complicate the problem by increasing the amount of natural rubber on the market.

The President's query resulted in a discussion of the alleged forthcoming world shortage of natural rubber. Secretary Kyes said he doubted whether such a shortage was in prospect. Secretary Anderson said that the world rubber study group predicted a tight situation in natural rubber by 1960. This estimate, he said, assumed full-scale operation of the synthetic rubber plants in the United States.

With respect to paragraph 3, supported by the State Department only and calling for an increase in the price of synthetic rubber by two cents a pound as a means of providing immediate relief to the natural rubber producing countries, Secretary Smith said, "We withdraw in the face of determined opposition." Nevertheless, said Secretary Smith, it was hardly possible to overemphasize the importance of finding some practical alternative to this course of action, since there would be severe disappointment at the Ceylon meeting[3] if the United States was compelled to take an essentially negative position with respect to the difficulties of Indonesia and Malaya. The political repercussions could be serious, and Secretary Smith suggested certain slight amendments to paragraph 2 which were designed to make the position of our delegate at Colombo somewhat easier.

Secretary Kyes then said that he wished to make a suggestion which might be practical. He believed it would be possible to get American rubber companies to agree to use a natural-synthetic rubber mix with 5% less synthetic rubber than was currently being used. This would not only relieve the 70,000 pounds of natural rubber overhang, but would put an end to the decline in the price of natural rubber.

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[2] Not printed; except for the changes made at the NSC meeting herein recorded, NSC 5417, dated Apr. 22, 1954, was the same as NSC 5417/1, *infra*.

[3] Regarding the subjects to be discussed during the Colombo meeting of the International Rubber Study Group scheduled for May, see telegram 1668 from London, Oct. 17, 1953, p. 1027.

Mr. Robbins pointed out that there was already a trend toward a greater use of natural rubber and that the price actually was moving up slightly. Secretary Kyes said that he was not aware of this, and that in his conversations with rubber manufacturers, had got no such information. He furthermore believed that using 5% less synthetic rubber in the mix would not adversely affect the Government's chances of selling the synthetic rubber plants. Mr. Robbins expressed doubts as to the validity of this opinion.

Mr. Flemming pointed out that one of the courses of action which was to be explored was the direct purchase of rubber by the United States. He noted that the stockpile objective for this commodity—namely, 1,230,000 long tons—had been reached. This stockpile constituted a two-year supply on the basis of an 80-20 mix between synthetic and natural rubber. Was there any valid reason against providing for more natural rubber in the stockpile than was possible under the 80-20 ratio?

Secretary Kyes said he could see no reason why the ratio could not be changed to 70-30, and Secretary Smith thought a 50-50 mix should be sought.

Governor Stassen said he believed Secretary Kyes' suggestion was sound and practical, but that it ought to be a Government policy to get the price of rubber up to 25 cents. We could hold the price there with relatively little cost to the United States, and provide real assistance to Indonesia and Malaya.

Mr. Robbins expressed the opinion that while Secretary Kyes' suggestion might prove effective over the long run, the immediate result would be a lowering of the price of synthetic rubber. In this event the Government would be obliged either to close down some of its synthetic rubber plants or increase their inventories of synthetic rubber.

Mr. Cutler suggested that the suggestions made by Secretary Kyes and Mr. Flemming not be accepted by the Council at this time, but be referred to the Planning Board for further study along with the other possible courses of action to be explored by the Planning Board and listed in paragraph 4 of the report. Mr. Cutler's suggestion was accepted by the Council.

The President asked the indulgence of the Council, but said that he could not refrain from reemphasizing the invariable difficulties the United States stored up for itself by telling other nations they should not trade with Communist China. He felt that this whole problem deserved special study. Our current policy was completely negative, since it amounted to telling non-Communist nations that they should not trade with Communist nations, while at the same time ourselves refusing to buy their staple products. The President said he believed that a skillful use of trade was the best hope for peace, and that the United States was being very shortsighted in its attempts to hurt the enemy by stifling trade with him.

Governor Stassen commented that in the current negotiations with Great Britain and France, reviewing the International Lists of items which should be controlled in East-West trade, rubber was almost certainly going to be released from export control. Only thus could we induce our allies to continue really strategic materials, such as nickel, on the list of controlled commodities.

The National Security Council:

a. Discussed the subject and adopted the interim statement contained in NSC 5417, subject to the following changes:

> (1) *Paragraph 2–a:* Insert "sympathetically" after "willingness"; insert "precise" before "commitment"; and delete "precise" before "means".
>
> (2) Delete paragraph 3 and the footnote thereto, which was withdrawn by the Department of State, and renumber paragraph 4 as 3.
>
> (3) *Paragraph 4:* Add to subparagraph *b* the following: ", possibly as a result of an increased stockpile objective based upon a revision of the current ratio of natural to synthetic rubber contemplated for wartime use."
>
> Add a new subparagraph *e* as follows:
>
> "*e.* Persuading U.S. rubber companies to increase the percentage of natural rubber currently used in making tires, in order to increase the demand for natural rubber."

b. Directed the NSC Planning Board to study further, in the light of the Council discussion, the possible U.S. courses of action mentioned in paragraph 4 of the interim statement in NSC 5417, as amended in a above.

Note: NSC 5417, as amended and approved by the President as interim policy, subsequently circulated as NSC 5417/1 and referred to the Secretary of State for appropriate action pursuant to paragraph 2 thereof.

[Here follows discussion of United States policy toward Iran, organizational arrangements for internal security, defense mobilization planning assumptions, the program of the United Nations to stop aggression, United States objectives in the event of general war with the Soviet bloc, significant world developments affecting United States security, and reports on the Geneva Conference and the Indochina situation.]

S/S-NSC files, lot 63 D 351, NSC 5417 Series

Interim Statement of Policy by the National Security Council[1]

SECRET
NSC 5417/1

WASHINGTON, April 30, 1954.

U.S. RUBBER POLICY

1. At the forthcoming meeting of the International Rubber Study Group in Ceylon, the United States will be called upon to state whether it is willing to assist natural rubber-producing countries to alleviate their economic difficulties connected with present rubber prices. It is in U.S. security interests under existing policy (see Annex A) to agree to consider such assistance in some feasible form.

2. At the Ceylon meeting, the United States should:

a. Indicate its willingness sympathetically to consider, in cooperation with other interested countries, the possibility of assisting natural rubber-producing countries to improve the efficiency of the natural rubber industry, without making a precise commitment as to the extent or means of such assistance.*

b. Decline to participate in an international agreement for a rubber buffer stock to control the price of natural rubber.

c. Refuse to agree to free rubber at this time from the embargo on trade with Communist China.

3. The following possible U.S. courses of action should be the subjects of further exploration within this government:

a. Bartering agricultural surpluses for rubber.

b. Direct purchase of rubber, possibly as a result of an increased stockpile objective based upon a revision of the current ratio of natural to synthetic rubber contemplated for wartime use.

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[1] In addition to the interim statement of policy printed here, NSC 5417/1 includes a cover sheet, a note by Lay informing the NSC that the NSC Planning Board would undertake further exploration of the courses of action outlined in paragraph 3, and an annex which presented extracts from related NSC statements of policy. In this last respect, NSC 5405, "United States Objectives and Courses of Action With Respect to Southeast Asia," dated Jan. 16, 1954 (printed in volume XII, Part 1), and NSC 171/1, "United States Objectives and Courses of Action With Respect to Indonesia," Nov. 20, 1953 (*ibid.*; Part 2), were excerpted. The text of NSC 5417/1, as determined by the NSC at its meeting of Apr. 29, 1954, was transmitted in paraphrase form in telegram 323 to Colombo for Willis C. Armstrong, Apr. 30, for use as his instructions at the International Rubber Study Group meeting. (398.2395/4-3054)

*Technical assistance for this purpose could be included in FOA programs for Indonesia and Thailand. Other possible types of assistance for this purpose would require further study as proposed in par. 3-*c* and *d* below. [Footnote in the source text.]

c. Extending grants of agricultural surpluses so that the recipient government could use the proceeds from the sale thereof to improve the natural rubber industry.

d. Participating with the UK and others in long-term loans or grant assistance to improve the natural rubber industry.

e. Persuading U.S. rubber companies to increase the percentage of natural rubber currently used in making tires, in order to increase the demand for natural rubber.

460.509/5-1054: Telegram

The United States Special Representative in Europe (Hughes) to the Department of State[1]

SECRET PARIS, May 10, 1954—1 p.m.

Polto 1805. Excon.

1. Confirming and amplifying info reported May 7 telecon (Section BSO-3 para 3) US/UK CG Dels met with Charpentier Friday p.m. to discuss "peel-off". Latter indicated no French opposition provided proposal confined to single category[2] and not containing any general directive purporting amend CG directive. UK Del pointed out UK proposal as now formulated applicable only to MWM category; but said his govt would, of course, reserve right introduce similar limited proposals with respect each category as successively reviewed in COCOM. French Del said his govt quite agreeable.

2. In incidental discussion probable attitudes other dels, Charpentier said he understood Itals and Germans would be difficult. Re Germans see para 5 Polto 1783 (rptd London Polto 301).[3] Re Itals see para 4 below.

3. In brief discussion problem posed by position Port Del (see Polto 1784 rptd London Polto 302[4]). Charpentier suggested interested dels might explore whether any specific and limited concession could be made to Port that would alleviate Macao problem without proposing any real security threat. Indicated he was speaking off

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[1] Repeated to London.

[2] The category under reference here was metalworking machinery, which at the COCOM session of Apr. 30 the British Delegation had intended to recommend for deletion from the International List. After several hasty conferences with the U.S. Delegation, reported in Polto 1750 from Paris, May 2, 1954, the British Delegation agreed to delay recommending this deletion until a prior understanding had been worked out with other COCOM members.

[3] Not printed; dated May 7, it reported that the Germans would not comply with the British proposal for progressive deletion unless they were assured that the Battle Act would not be invoked against them. (460.509/5–754)

[4] Not printed; dated May 7, it reported that the Portuguese would not agree to the British proposal unless the deletions from the Lists were also made with respect to trade between Macao and Communist China. (460.509/5–754)

record since French Govt opposed on principle to any present modification FE controls. Nevertheless he thought if some unimportant concessions could be identified French Govt might go along. Said if examination disclosed major item of interests Port in connection Macao was something like petroleum French would, of course, have to object; but if "something like antibiotics" might alleviate Macao problem French might be persuaded agree. US/UK Dels merely indicated idea could be explored but made no other comment.

4. US/UK Dels met Saturday with Ital CG Del (Cattani). Latter indicated in very blunt terms his suspicion and dislike of Brit motivation and his confirmation UK determined achieve all that it had unsuccessfully sought at CG meeting. Said, however, he would report views of US/UK Dels to Rome. Not believed by US Del that he will do so with any enthusiasm or personal conviction that arguments for "peel-off" are meritorious. After thorough exploration all facets of issue Cattani position seemed to be crystallized on possibility concurring in "peel-off" if UK could modify its 48-hour proposal so as to eliminate appearance undue precipitateness. He emphasized that heretofore period for effectuation COCOM decisions has never been less than 14 days and for most matters 30 days. Also emphasized difficulties, particularly in Italy, of issuing necessary revisions of instructions, etc within any period such as 48-hours. UK representatives here are, of course, not authorized modify UK proposal; but presumed UK Del will report this suggestion to London.

HUGHES

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 197th Meeting of the National Security Council on Thursday, May 13, 1954[1]

TOP SECRET EYES ONLY

The following were present at the 197th Meeting of the National Security Council: The President of the United States, presiding; the Vice President of the United States; the Secretary of State; the Acting Secretary of Defense; the Director, Foreign Operations Administration; and the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Attorney General (for Items 1, 2, 3, 4 and 5); the Postmaster General (for Item 2); the Secretary of Commerce (for Items 2 and 9); the Director, Bureau of the Budget; the Chairman, Atomic Energy Commission (for Items 1 and 5); the Federal Civil Defense Administrator (for Item 1); Assistant Secretary of Commerce Anderson (for Item 8); Marshall Smith, Department of Commerce (for Item 8); Newman Smith, Department of Commerce (for Item 2); Walter S. Delany, Foreign Operations Administration (for Item 8); the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; the Assistant to the President; Robert Cutler, Special Assistant to the President; James C. Hagerty, Secretary to the President; the White House Staff Secretary; the NSC Representative on Internal Security; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

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[1] This memorandum of discussion was prepared on May 14 by Deputy Executive Secretary of the National Security Council Gleason.

There follows a summary of the discussion at the meeting and the main points taken.

[Here follows discussion concerning organizational arrangements for continental defense, importation of Communist propaganda, covert acquisition of strategic intelligence information (unclassified) by Soviet Embassy representatives in the United States, internal security, a report by the American Society of Newspaper Editors on "Freedom of Information", the preparation and use of financial appendices in connection with policy recommendations by the National Security Council, NSC Progress Reports, and the reassignment of responsibility for defense of crops against biological warfare.]

9. Economic Defense: Report on Tripartite and COCOM Review of International Lists (NSC 152/3[2])

Mr. Cutler indicated that the report which Governor Stassen would now make supplemented the report on the subject which he had made to the Council in April[3] after his return from London. He also indicated that the Commerce Department had some views which Secretary Weeks would wish to present to the Council.

Governor Stassen reminded the Council that the agreement between the United States and the United Kingdom reached at London in April called for a trilateral review (U.S., U.K. and France) of the international control lists, as well as a review of these lists by the COCOM Committee in Paris. Some progress had been made in both sets of reviews, although many problems had arisen with the British in the trilateral review. The result to date of the trilateral review was the cutting down of the international lists by about 40%, although other U.S. officials might deem the cut to be closer to 50%. There was some satisfaction to be derived from the fact that the reduced lists would be more strictly policed and enforced.

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[2] For text as revised, see p. 1207.

[3] See the memorandum of NSC discussion of Apr. 1, p. 1143.

Further difficult issues with the British, said Governor Stassen, were to be anticipated. He therefore desired the guidance of the National Security Council with respect to items on the lists which promised to raise the sharpest issues: copper, nickel, scrap iron, natural rubber, railroad rails, merchant shipping vessels, and certain grades of bearings.

Governor Stassen said there was bound to be controversy on all of these items, and he pointed out his belief that nickel and copper should remain on the embargo list for obvious strategic and security reasons. Scrap iron should continue to be embargoed for domestic political reasons, since the Congress would remember well the results of the shipment of scrap iron to Japan in the months before Pearl Harbor. On the other hand, Governor Stassen thought it would be necessary to yield to Britain and decontrol natural rubber and railroad rails. With respect to cargo vessels, he hoped to be able to retain ceilings of 7000 tons and 15 knots if possible, and he also hoped to induce the British to cut down on the number of vessels under this size and speed which the West would ship to the Soviet bloc.

The President inquired of Admiral Delany why we were concerned about how many merchant vessels were delivered to the Soviet Union if they were small enough and slow enough. Admiral Delany replied that it was the category of vessels above the ceilings referred to by Governor Stassen that the United States was particularly anxious to restrict.

The President then asked Admiral Radford for his opinion. Admiral Radford replied that if the Russians were permitted to obtain cargo vessels outside Russia, they would use their own shipyards for the construction of war vessels. This process would also enable them to circumvent the lack of certain critical materials. In sum, they would secure a big advantage.

The President answered that he still did not see how the shipyards of England, Holland, Norway, and our other allies, could be allowed to remain idle. Admiral Radford continued to support his view, and noted that cargo vessels, of which the Soviets were very short, constituted a critical strategic area. Right now, he added, the Soviets were building a number of large cruisers in addition to submarines and destroyers. Their shipyards were operating at 100% capacity.

Governor Stassen then reminded the Council that he would like to hear its reaction to his proposal for dealing with this and the other critical items at issue with the British.

Secretary Dulles stated that his people in the State Department felt that we should not yield to the British in the matter of cargo vessels, but should carry the fight into COCOM, where we might be able to secure a better bargain.

Governor Stassen replied that if we scuttle the agreement we had made with the British for prior agreement at the trilateral negotiations, and instead proposed to negotiate our disagreements in COCOM, such a decision should be communicated to the British at the governmental level. We had earlier induced the British to agree to present a joint position on the control lists in COCOM. Furthermore, Governor Stassen doubted whether any gains we might secure by deciding now to take such issues as the cargo vessels directly to COCOM, would be worth another row with the British.

Mr. Cutler then called upon Secretary Weeks to give the views of the Department of Commerce.

Secretary Weeks prefaced his remarks by pointing out that of course the Department of Commerce was 100% in favor of expanding international trade. There were, however, some red flags in the path. The Commerce Department felt that we had been too liberal in our negotiations with the British and that as a result, "some horses had been stolen from the barn door." We have let down the bars on certain items in these tripartite discussions with serious results. This was especially true of the so-called "elephant" machine tools. As far as the over-all picture was concerned, if we followed our present course Secretary Weeks was sure that the result would be to build up Soviet and Chinese war potential.

Secretary Weeks then stated that of course Commerce had only one interest—that is, the interest of defense. If, nevertheless, we were going to let down the bars, the Commerce Department would need new directives and policy guidance from the National Security Council with respect to American traders and exporters who would be penalized if our controls remained at a higher level than those of our allies. Secretary Weeks said that he would ask Assistant Secretary Anderson to outline this problem. Meanwhile, with regard to the international lists, he would recommend that the United States abandon the current tripartite review and take its problems directly to COCOM. Unless the United States holds the line, he repeated, the result will be to build up dangerously Chinese and Soviet war potential.

Governor Stassen denied that our negotiators had yielded to the British on the item of "elephant" machine tools. On the contrary, these tools had been the subject of a last-ditch struggle, and the United States had won.

Secretary Anderson pointed out that in actuality we had reached an impasse on this category of machine tools. It was true that we had made a last-ditch stand, but the British had not yet agreed to retain these tools on the embargo list. Moreover, we were far from agreement with the British on the whole question of quantitative controls as opposed to embargoing. The trilateral negotiations had in fact whittled away much more of the U.S. position than that of the British. We had made many concessions with respect to reducing the embargo lists, but the British had made no concessions in return regarding either quantitative or transaction controls. It was for this reason that the Council should consider taking our problems directly into COCOM, as Secretary Dulles had suggested. Secretary Anderson predicted that we would get much greater support for our position if we took it into COCOM.

Governor Stassen again pointed out the substance of the interdepartmental agreement to the trilateral discussions, which had been confirmed before he went to London in April. As a result of his visit, the British had backed down and had agreed not to go to COCOM with proposals for a drastically reduced international list of controlled items. We thus won our major first point at London, and we have started on the trilateral review. If we now decide to throw the whole problem into COCOM, Governor Stassen thought there was not much likelihood of stronger support for the U.S. view, and it would risk a severe breach with the United Kingdom.

Dr. Flemming inquired what happened if the United States failed to reach agreement with the British and the French for the control of any item at the trilateral review. Were we then permitted to take the case into COCOM? Governor Stassen replied in the affirmative.

Mr. Cutler then asked whether, in such instances of disagreement on the embargo of a given item, we could get the British to compromise by agreeing at least to a quantitative control of the item in question. If this were possible, should not the National Security Council adopt this course of action as policy guidance rather than to go into COCOM with an open split with the British?

The President said, with considerable heat, that he constantly reverted to the public position which he and the Secretary of State must always take. Both of them kept stressing the necessity for cooperation with our allies and both emphasized that the best defense against Communism was a policy of cooperation among the free world nations. There must continue to be such cooperation, said the President, or else each of the nations in the coalition would go to pot one by one. He had detected very little support for such sentiment in the course of the discussion at this Council meeting. Of course, said the President, he was not in favor of giving everything it wanted to the Soviet Union; but we had simply got to decide on the general kind of war we believe we will have to fight if there is a war, and on the basis of this decision determine specific policies such as those which concerned East-West trade. We must base these decisions firmly on our basic security policy. Otherwise our efforts to defend ourselves would prove sterile.

Mr. Cutler summarized for the Council the position taken by Governor Stassen and his request at the outset of the discussion for policy guidance. Mr. Cutler suggested again that when we had to "give way" to the British and release an item from the embargo list, we should insist that the British agree to at least a quantitative control of this item.

The President stated with great emphasis his dislike of the phrase "give way". In his judgment, said the President, our objective was to find the line of action most generally advantageous to ourselves and our allies. This was not a matter of "giving way".

Dr. Flemming professed to find some of the British proposals very confusing indeed; for example, taking nickel, which was in such short supply, off the embargo list. Governor Stassen suggested that the British were in effect trying to reestablish the London Commodity Market as it had existed before the last war. If they succeeded there would at least be the advantage that many critical items which found their way to the Soviet bloc by devious routes could be adequately policed. The President said that we should certainly stick to our position that nickel remain on the embargo list.

Dr. Flemming then suggested that what the Council really needed was a comprehensive staff paper analyzing the specific materials at issue with the British in the light of our basic policy. The President said that he found himself largely in agreement with the position taken by Governor Stassen in the course of the discussion.

At this point Mr. Cutler said he understood that the merits of the "peel-off" method of removing items from the international control lists, as opposed to the en masse method of removing categories of items from these lists, should be discussed. Governor Stassen, however, said that the British had substantially agreed to abandon their support of the peel-off system and to accept the en masse method. He explained this concession as the result of pressure on the British by most of the other nations.

Mr. Cutler said if that question was settled, the Council should proceed to consider what action we should take on our own U.S. control lists and with respect to the Battle Act in the light of what was occurring at the trilateral negotiations in London.

In response to this, Secretary Anderson explained that Commerce would like the National Security Council to undertake a review of U.S. export policy (NSC 152/3) on the assumption of a considerably reduced international list eventuating from the COCOM review. He explained that Commerce had prepared a proposed revision of NSC 152/3 which it was prepared to submit to the

NSC Planning Board whenever requested. Mr. Cutler suggested that Commerce submit its report to the Planning Board prior to July 1, when the review of the international lists at COCOM would have been completed.

Secretary Humphrey, turning to the President, said that the latter had made an observation of considerable importance earlier in the meeting, and that this observation had subsequently been overlooked. He thoroughly agreed with the President that our specific policies—for example, that on East-West trade—were all dependent on our conception of the kind of war we may have to face in the future; that is, a traditional or a new type of war. Certainly the United States could not be prepared to fight every kind of war. If we could make up our mind on the kind of war, many of these difficult policy issues would fall into place.

The President replied that while, of course, we could decide in a general way the kind of war for which we must prepare, we could never be sure of all the details. It was a tricky matter, but let us not think only of what the United States can do to hurt the Russians most, but also of what is best for the whole community of free world nations on which our security so largely depended.

Governor Stassen then said he wished to commend warmly the working groups in the several executive departments who have been involved night and day for many weeks in trying to solve the problems that have been discussed at the meeting. If any of these departments felt that things were going wrong at the trilateral negotiations, they should feel free to bring the issue before the National Security Council for discussion. The President replied that he always assumed this to be the right of each executive department.

Dr. Flemming strongly seconded Governor Stassen's suggestion and said that when departments or agencies disagreed among themselves on the desirable position with respect to any specific item, or when we have difficulties with the British on the control or decontrol of a strategic item, a staff study should be prepared and brought to the Council for resolution. The President agreed with this proposal, but said that he was pleading for "a broad viewpoint".

The Vice President then inquired whether, in view of the developments regarding the export control lists, there was likely to be any necessity for new legislation. The general view was that no new legislation would be needed, but Governor Stassen warned of the likelihood that the Administration would be attacked in Congress for its handling of the East-West trade problem.

The President said that in that event we would stand on our basic position in favor of the "maximum net advantage" for the United States.

There then ensued a discussion as to the appropriate action to be recorded for this item. At the conclusion of this discussion Mr. Cutler asked the Council if it agreed to continue to embargo copper, nickel, scrap iron, and "elephant" machine tools. This question was answered in the affirmative, and the Council also agreed that the remaining "hot" items between the U.S. and the U.K.—namely, natural rubber, railroad rails, merchant ships, bearings, and petroleum—should be studied further by ACEP–EDAC and the results presented to the Council for subsequent consideration.

The National Security Council:

a. Discussed an oral progress report by the Director, Foreign Operations Administration, on the tripartite and COCOM review of international control lists.

b. Agreed that copper, nickel, scrap iron, and "elephant" machine tools should remain on the international control list for embargo.

c. Agreed that the Director, Foreign Operations Administration, should submit for consideration at the next Council meeting a report on:

> (1) The results of ACEP–EDAC deliberations regarding retaining on or removing from the international control lists such items as natural rubber, railroad rails, merchant ships, bearings, and petroleum.
>
> (2) The possibilities of retaining under quantitative international control those items on which the U.S. is unable to obtain international agreement to embargo.

d. Noted the President's statement that, whenever agreement on specific items cannot be reached through ACEP–EDAC, or disagreement with the U.S. position on important specific items cannot be resolved in international negotiations, any responsible department or agency may always submit a staff paper on the subject for consideration by the National Security Council.

e. Noted that the Department of Commerce would submit, through the NSC Planning Board, proposed changes in those portions of NSC 152/3 relating to U.S. controls on trade with the European Soviet bloc based upon a reexamination of U.S. policy in the light of changes in the international control lists.

Note: The action in c above subsequently transmitted to the Director, Foreign Operations Administration.

[Here follows discussion of significant world developments affecting United States security, developments regarding the Geneva Conference and the Indochina situation, and National Security Council status of projects.]

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 198th Meeting of the National Security Council on Thursday, May 20, 1954[1]

TOP SECRET EYES ONLY

Present at the 198th Meeting of the Council were the President of the United States, presiding; the Vice President of the United States (presiding for part of Items 1 and 8); the Secretary of State; the Acting Secretary of Defense; the Director, Foreign Operations Administration; and the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Secretary of Commerce (for Item 6); the Director, Bureau of the Budget; the Chairman, Atomic Energy Commission (for Items 1, 2, 3, 4 and 5); the Federal Civil Defense Administrator (for Items 1, 4 and 5); the Chairman, Council of Economic Advisers (for Items 1, 2 and 3); Mr. Milton for the Secretary of the Army, the Secretary of the Navy, and the Secretary of the Air Force (for Items 1, 2 and 3); the Deputy Director, Bureau of the Budget; Assistant Secretary of Commerce Anderson and Marshall Smith, Department of Commerce (for Item 6); Admiral Delany, Foreign Operations Administration; the Chairman, Joint Chiefs of Staff; the Chief of Staff, U.S. Army, the Chief of Naval Operations, the Chief of Staff, U.S. Air Force, and the Commandant, U.S. Marine Corps (for Items 1, 2 and 3); the NSC Planning Board (for Items 1, 2 and 3), as follows: Mr. Bowie, Department of State; Mr. Tuttle, Department of the Treasury; Gen. Bonesteel, Department of Defense; Mr. McDonnell, Department of Justice; Gen. Porter, FOA; Mr. Elliott, ODM; Mr. Reid, Bureau of the Budget; Mr. Snapp, AEC; General Gerhart, JCS; Mr. Amory, CIA; and Mr. Staats, OCB. The following were also present: the Director of Central Intelligence; Mr. Cutler, Special Assistant to the President; Gen. Persons, Deputy Assistant to the President; Gen. Carroll, White House Staff Secretary; Mr. Harlow, Administrative Assistant to the President; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

There follows a summary of the discussion at the meeting and the main points taken.

[Here follows discussion of the fiscal outlook, the NATO alert procedure, factors affecting military operations in Indochina, radio security, and a nationwide civil defense exercise.]

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[1] This memorandum of discussion was prepared on May 21 by Deputy Executive Secretary of the National Security Council Gleason.

6. Economic Defense: Review of International Control Lists (NSC Action No. 1121; Memo for NSC from Executive Secretary, same subject, dated May 18, 1954; NSC 152/3[2])

Mr. Cutler briefed the Council on the past history of this problem and on last week's action. He then called on Governor Stassen to make his report and recommendation as to the United States position on critical items which had been requested at last week's meeting.

Governor Stassen summarized the conclusions of the written report and his recommendations with respect to natural rubber, railroad rails, ball and roller bearings, the quota on merchant ships, petroleum products, electric power, etc. After some discussion the Council agreed to accept these recommendations.

The President then inquired of Governor Stassen as to how far the United States position in this controversy was influenced by domestic political factors and how much by considerations of national security. Governor Stassen said that while both entered into the formulation of our position, the strategic factor was predominant. One notable exception was scrap iron, which had such heavy political overtones in Congress that we were continuing to embargo it. Governor Stassen also warned the Council again that the Administration was certain to be criticized in Congress for agreeing to any relaxation of the International Control Lists. In this connection he referred to his exchange of words with Senator McCarthy.

The President then inquired as to the actual content of the trade between the free world and the Soviet bloc. Were our allies getting from the Russians any commodities that they really needed? Were they getting anything but Russian gold? Admiral DeLany replied that until recently the Russians had been delivering mainly timber, food grains, and gold; but in recent months the pattern of trade had shifted. The Russians were paying for much of their imports with gold and Russian grain exports had ceased. Various other commodities, such as manganese, were still being exported by the Soviet bloc.

Mr. Cutler then asked Secretary Weeks if he wished to comment. Secretary Weeks replied that he did wish to inquire about ten or a dozen items which the United States had agreed to delete from the International Control Lists and about which the Department of Commerce was not very happy from the point of view of national defense. Secretary Weeks supposed, however, that it was too late to do anything about these items at this time. Governor Stassen replied that it was too late unless there were very significant reasons for reversing our previous position. He reminded Secretary Weeks that the items deleted in negotiations with the British and French had first been agreed to by a U.S. interdepartmental committee.

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[2] NSC Action No. 1121 consisted of the directives issued by the NSC meeting of May 13, 1954, as recorded in the memorandum of discussion, *supra*. The memorandum by Lay, May 18, was prepared pursuant to directive c of that action and transmitted to the members of the NSC reports on the results of ACEP-EDAC deliberations on natural rubber, petroleum, bearings, and railway transportation items; a note on the rule of unanimity in COCOM; and reports on the status of discussions on shipping controls, the status of "last ditch" items in the review of the International Lists, and the retention of quantitative controls over items dropped from the embargo list. (S/S-NSC files, lot 63 D 351, NSC 152 Series). For text of NSC 152/3 as revised, see p. 1207.

Mr. Cutler then read to the Council a draft statement of a communication to the U.S. delegation in the trilateral negotiations which the Department of Commerce proposed to send. He asked Secretary Weeks thereafter to explain the purpose of the communication. Secretary Weeks replied that Commerce believed that such a message to our delegates would put them on notice formally to work actively to obtain support for the U.S. position by the representatives of the other nations at COCOM.

Governor Stassen indicated his view that in its present form it would be a mistake to send this communication. Particularly, it would constitute bad tactics to threaten the British with the Battle Act and a cutting off of assistance if they did not agree with the U.S. position.

Secretary Weeks said he saw Governor Stassen's point, but he did not wish the United States to be "traded down" too far by the British. This would involve serious defense implications, and he believed that our delegates should be made to realize the necessity of fighting for the U.S. point of view.

Acting Secretary of Defense Anderson said that the Defense Department would not want to do anything which would cut off aid from our NATO allies.

The President repeated his familiar view that the negotiations should be conducted on the basis of the "net advantage" to ourselves and our allies, and expressed doubt as to whether this concept was clearly in the minds of those present. The President went on to ask the members of the Council to try to place themselves in the position of the British, who were in desperate need of relief after years of struggle and privation. It would be most unfortunate, he thought, if the United States pressed the British to a point where, in desperation, they determined to go it alone in their trade with the USSR or to a point where, indeed, they might decide to quit their alliance with the United States and join India in a neutralist position.

Secretary Weeks said that of course he was all for expanding international trade, but not to the point of building up the war potential of the Soviet Union.

Governor Stassen then stated that he would gladly agree to join in a statement of guidance to the U.S. delegation which would urge them to be tough but which would follow the lines of the discussion and omit any threat of the Battle Act.

The National Security Council:

a. Discussed the subject on the basis of the report by the Foreign Operations Administration transmitted by the reference memorandum and the oral remarks of the Director, Foreign Operations Administration, and agreed that:

(1) Natural rubber should remain on International Control List III (Watch List).

(2) Railroad rails under 70 pounds should be decontrolled.

(3) Ball and roller bearings should retain their present control status pending further discussions in September.

(4) The International Control List II quota on merchant ships of less than 15 knots speed should be not more than 150,000 gross registered tons.

(5) Crude petroleum, fuel oils other than distillate fuels, and motor gasoline, as well as aviation gasoline and blending agents therefor, should remain on International Control List I (embargo).

(6) Electric power equipment of 10,000 KW and over should remain on International Control List I (embargo), and such equipment of 5,000 to 10,000 KW should be subject to international quantitative control (International Control List II).

(7) The United States should maintain that deletion of items from the International Control Lists should be by unanimous agreement.

b. Discussed a draft message to the U.S. delegation to COCOM, proposed by the Department of Commerce, and noted that the Director, Foreign Operations Administration, would prepare and coordinate with other interested agencies a revised message in the light of the discussion at the meeting.

Note: The above actions, as approved by the President, subsequently transmitted to the Director, Foreign Operations Administration, for appropriate action.

[Here follows discussion of the assignment of United States aircraft technicians to Indochina and regional groupings in Southeast Asia.]

460.509/5–2154

The Secretary of Commerce (Weeks) to the Secretary of State

TOP SECRET WASHINGTON, May 21, 1954.

DEAR FOSTER: The present negotiations in COCOM, which will inevitably lead to an increased trade with Soviet Russia and her satellites on the part of our partners in Europe and presumably on our part as well, seem to me to have been given insufficient attention from the standpoint of their value as a factor for over-all negotiations with the Russians. I understand some brief mention was made during the course of the Berlin Conference of Russia's desire to increase her imports from the United Kingdom, but as far as I know no use was made of their desire at that Conference. We well understand the motives behind the British pressure to dismantle a portion of the controls as they see dangling before them some profitable orders for machinery and equipment. It seems to me obvious that the Russians are very anxious to make these purchases because they are short of the equipment and materials they seek to buy, and we ought to take full advantage of any multilateral willingness on the part of the West to accede to these desires and to use that willingness as a means of getting some other advantage at the Geneva Conference or in some other way.

It may be that I am not in possession of all the facts, but I have been rather puzzled by the absence during the course of our discussions in the NSC and elsewhere of any interest in this notion of using our forthcoming decisions in this way, even though this is implied in NSC 152/3.[1]

It seems now that the idea of the so-called "peel-off" method of decontrol is on the shelf and that the COCOM discussions and the ultimate CG discussions may be expected to result in some measure of agreement in COCOM about the first of July with, perhaps, still a substantial area of disagreement as well. Would it not be worth giving serious consideration to approaching the British and the French at this point in an effort to get them to agree that whereas we would finish this exercise as we had planned to do in the next six weeks we would not, as we are now contemplating, cross at present the bridge of Western action early in July, but re-examine the situation at that time to determine whether willingness on our part to take such action should not be used as a trading point. We might also at this time indicate to our partners in COCOM that one element which might influence our final position with respect to the composition of the shorter list for embargo or for quantitative control could be the reaching of an agreement with them to use the shorter list as a trading point to extract a quid pro quo from the Russians and Chinese either at Geneva or elsewhere. It seems to me that if the West could unanimously present what I think the Russians would regard as an attractive trade package, it could possibly strengthen the impression of unity before the Russians as well as draw concessions from them.

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[1] For text as revised, see p. 1207.

I have no way of knowing whether anything substantially worthwhile could be extracted from the Russians by a holding back on the part of the West from taking this action, but judging by the avidity of the Russians' appetite, as evidenced by their recent negotiations with British businessmen and the increasing tempo of their trade interest all over the world including the United States, it might be worth considering. It is even thinkable that the very composition of the list itself might be used in trading with the Russians, although this is pretty difficult to visualize ahead of time in its entirety.

I am writing to you in the hope that this may prove to be a useful line of thinking. If you believe it desirable, we might ask General Cutler to consider a Planning Board discussion of it with Council consideration at an early date.

Sincerely yours,

SINCLAIR WEEKS

PPS files, lot 65 D 101, Chron. 1954

Memorandum by Jacob D. Beam of the Policy Planning Staff to the Director of That Staff (Bowie)

TOP SECRET [WASHINGTON,] May 24, 1954.

Subject: Letter from Secretary of Commerce Weeks Proposing We Extract Political Concessions in Return for a Relaxation of East-West Trade.

This letter was considered in Mr. Murphy's Office Monday, May 24. Mr. Waugh, Mr. Ben Moore and myself were the only others present. Mr. Murphy and Mr. Waugh felt very strongly that it would be completely impracticable to extract any political concessions in our larger dealings with the Russians and Chinese, as for instance at the Geneva Conference, in return for an increase in East-West trade.

I raised the point whether, if we could get some agreement between us and the Western nations, we might not be able to request successfully some relaxation of Soviet restrictions in Berlin, also better treatment for foreign business men in China, in connection with whatever increase in trade with China might be contemplated. To my regret these suggestions met with a cold reception and Mr. Waugh was given the task of drafting a reply to Mr. Weeks. The reply[1] will probably state that the question has been carefully considered by our Department and will suggest that Mr. Weeks consult with Mr. Stassen, in order to see whether he has any ideas.

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[1] Not found in Department of State files.

398.2395/5-2854

Memorandum of Conversation, by Francis G. Jarvis of the Office of Philippine and Southeast Asian Affairs

SECRET WASHINGTON, May 28, 1954.

Subject: General Discussion of Studies Prepared by Other Agencies for Consideration by the Special Rubber Committee Considering U.S. Rubber Policy under NSC Directive 5417/1[1]

Participants: OFD—Emerson Ross
OMP—Willis C. Armstrong
OMP—George Alexander
PSA—Francis Galbraith
PSA—Francis Jarvis

Mr. Armstrong opened the meeting and proceeded to discuss seriatim the various proposals outlined in the documents prepared by a number of agencies for consideration at a meeting of the Special Committee on Rubber. These papers discuss U.S. action on the following subjects:

1. Bartering agriculture surpluses for rubber.
2. Direct purchase of rubber by the U.S., possibly as a result of an increased stockpile objective.
3. Extending grants of agriculture surpluses; the proceeds from the sale of which could be used to improve the natural rubber industry.
4. Participating with the U.K. and others in long-term loans or grant assistance to improve the natural rubber industry.
5. Persuade U.S. rubber companies to increase the percentage of natural rubber currently used in making tires.

Mr. Armstrong stated his belief that the problem of rubber was primarily a problem in Indonesia where efforts could possibly be stepped up to help the smallholders. Mr. Galbraith reviewed the reasoning which had prompted the Department to recommend a synthetic price rise of two cents per pound, later withdrawn in the face of the objection of other Departments, and the results of increased pressure in Indonesia for shipments of rubber to Communist China since the announcement at Ceylon that the U.S. would not raise the price of synthetic or support a rubber buffer stock scheme. Mr. Galbraith emphasized the serious foreign exchange position in Indonesia and its relation to political deterioration.

A discussion of the alternatives followed:

1. *Bartering agriculture surpluses for rubber*: Mr. Armstrong is of the opinion that this proposal should not be supported by the Department. The paper prepared by the Department of Commerce

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[1] Dated Apr. 30, p. 1157.

stated that this proposal would require new legislation if pursued, which Commerce does not believe is justified solely on benefits which would result to the economy of Indonesia. The PSA representatives concurred in Mr. Armstrong's position. (*Comment:* If rubber continues to be readily marketable, albeit at low prices, Indonesia, through the sale of its rubber, can earn badly needed foreign exchange.)

2. *Direct purchase of rubber by the U.S., possibly as a result of an increased stockpile objective:* Mr. Armstrong stated that the U.S. stockpile is complete; in fact, natural rubber may now be overstockpiled. He is of the opinion that a proposal to increase stockpile purchases of natural rubber would be rejected. The Office of Defense Mobilization in its paper on this subject recommended that no further consideration be given to the proposal to purchase additional quantities of natural rubber for the U.S. stockpile. The PSA representatives took no issue with Mr. Armstrong's position since there is considerable evidence to support the ODM position. However, Mr. Jarvis pointed out that the suggestion that a stockpile of natural rubber be developed in Japan should not be considered in the rubber concept; it should be considered from the strategic aspect. Mr. Armstrong's opinion is that if the U.S. should embark on a stockpile of strategic materials in Japan, not only rubber but a number of other commodities would have to be considered for such a stockpile. He did not believe that this suggestion should be pursued.

3. *Extending grants of agriculture surpluses; the proceeds from which could be used to improve the natural rubber industry:* Mr. Armstrong introduced the suggestion of extending grants of agriculture surpluses so that the proceeds from the sale thereof could be used to improve the natural rubber industry. He seemed to be of the opinion that something might be done in this area. He had in mind a project under which the U.S. industry would render technical assistance in Indonesia (a) to further the Indonesian Department of Agriculture educational services to smallholders and (b) to improve Indonesian rubber production and marketing methods. He seemed to support the position advocated by FE that agriculture surpluses, such as cotton, could be used to generate counterpart funds which would be used to support a smallholder improvement program in Indonesia. Mr. Armstrong said that the U.S. should continue to have control over such Indonesian currency as would be generated. The U.S. might negotiate an agreement under which it would be permitted to approve the use of the funds on specific projects. Mr. Ross interjected that the OFD position is that such funds should also be considered for such programs of diversification that OFD believes the Indonesians should undertake. Such funds

could be employed to advantage, for example, in the improvement of the sugar industry in Indonesia. Messrs. Armstrong and Ross noted that presently the U.S. does not have surplus disposal legislation under which anything can be accomplished right *now.* Mr. Jarvis stated that the U.S. will probably have a new policy shortly; the Harrison Surplus Agriculture Disposal Bill may be passed. Largely at the insistence of Mr. Ross, it appeared that the E representatives were reluctant to further pursue grants of agriculture surpluses to Indonesia *now.* However, Mr. Jarvis urged that the Department continue to pursue this aspect. He continued that the U.S. would have new surplus agriculture disposal legislation rather shortly. Mr. Ross repeated that the U.S. does not have legislation now under which the U.S. can act *now.* Mr. Jarvis continued to press for continued consideration by the Special Rubber Committee. Mr. Armstrong seemed to agree.

Mr. Ross then expressed the view that a technical assistance program is a more likely vehicle under which direct assistance can be quickly given, not only to Indonesian small rubber holders, but also to accelerate the economic development of Indonesia.

The FOA proposal noted that because of the inadequacies in the Indonesian economy, the disposal of U.S. surplus agriculture commodities there will not supply assistance "on a scale most urgently needed." The FOA project mentioned the commodities considered likely to be available for disposal in 1955. These included grains, seed oils, cotton, skimmed milk, beans, cheese, and butter. (*Comment:* The FOA proposal closely parallels a proposal prepared in PSA and submitted informally by FE to Mr. Armstrong.)

4. *Participate with the U.K. and others in long-term loans or grant assistance to improve the natural rubber industry:* It was the consensus of the group that this is a good proposal and should be further explored in the Special Rubber Committee. The Treasury and the FOA in this paper recommend that the U.S. consider a direct grant of dollars to Indonesia for the purpose of aiding the natural rubber industry if Indonesia appears likely to accept it. This paper also recommends that similarly the U.S. should consider *lending* dollars to Thailand if Thailand should appear interested.The U.K. should be invited to make similar aid available to Malaya, Ceylon and possibly Burma. The paper also noted that "such financial assistance should be limited to the cost of the rubber improvement program which could not be met through surplus commodity transactions."

5. *Persuade U.S. rubber companies to increase the percentage of natural rubber currently used in making tires:* All agreed that it is very doubtful that anything can be achieved in attempting to persuade U.S. rubber companies to increase the percentage of natural

rubber currently used in making tires in order to increase the demand for natural rubber. The Department of Commerce in this paper suggested that this proposal be abandoned.

Mr. Galbraith distributed a paper which he had prepared on the general political and economic situation in Indonesia.[2] This statement of the problem is urgently needed by the Special Committee on Rubber. It will be used by the Committee in the course of its consideration of the alternative courses of action on rubber. (A copy of Mr. Galbraith's paper is attached.)

At the close of the discussion Mr. Armstrong asked Mr. Alexander to prepare a State Department paper to be presented to the Special Rubber Committee at its next meeting. He asked Mr. Alexander to take into account in the preparation of the paper views expressed at this meeting. This paper will be cleared with FE.

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[2] The reference paper is not printed.

460.509/6–554

The Director of Foreign Operations (Stassen) to the President of the Board of Trade in the United Kingdom (Thorneycroft)[1]

SECRET WASHINGTON, June 5, 1954.

I should like to thank you very much for your reply to my previous letter[2] and for the constructive approach of your response. We have made substantial progress in resolving the problems and I do appreciate the difficulties involved for you as well as for us.

I share your concern about the number of items which remain disagreed in the trilateral discussions in Paris, although we have thus far agreed to a substantial reduction in the existing International List, and have redefined numerous others. On the basis of the trilateral discussions and the current COCOM discussions, we have agreed to a reduction of approximately 200 items from the entire list of 456 items. Of these over 70 have been deleted outright from the embargo list of 265 items. In general, I think it is correct to state that the area of control which has been relinquished either by COCOM or trilateral agreement comprises all of the peripheral area, and a substantial number of items having in our opinion varying degrees of importance from even the most restrictive interpretation of the agreed terms of reference. Not to be lost sight of is the fact that a substantial number of the embargo listings retained have been redefined to severely narrow the coverage, retaining only those elements of direct and almost exclusive military use. In the area of deletions our agreement to delete a number of items has represented major concessions on our part in the face of strong indications of strategic importance. However, I, too, am anxious that there be further effort made to reconcile the different points of view that led to disagreement on some 80 items.

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[1] This letter was transmitted in telegram 6599 to London, June 5.

[2] Exchanges of letters between Governor Stassen and Thorneycroft had taken place since Governor Stassen's visit to London in late March. Each dealt with specific aspects of the negotiations, agreed upon at that time in principle, for the reduction of the International Lists. The letter from Stassen referred to here, dated May 14, dealt with copper, nickel, iron, scrap steel, and shipping controls. (460.509/5–1454) Thorneycroft's reply of May 28, besides presenting the British viewpoint on these items, pursued the question of limiting shipments of electronics equipment and metalworking machinery, and reaffirmed the reluctant willingness to yield on the issue of "peel-off" or progressive decontrol of restricted categories. (460.509/5–2854)

As I have reviewed the course of the negotiations it appears that much of the disagreement arises from the differing interpretations of the criteria which have formed a general basis for this review. First, there is the question of the present and future contributions which these items may make to the military capabilities of the Soviet bloc. You will recall in the trilateral discussions M. Schumann and you and I reached a clear understanding of the term "military capabilities" was to be understood to mean "present and future" capabilities and that the US would make a statement to this effect in the CG. This was done. The UK position on a number of items has appeared to us to be that we need not embargo certain items which are capable of dual use, i.e., civilian or military production, and in which there is no explicit demonstration that the items are predominantly used for military production in the current period regardless of their relation to future military capabilities. Collaterally, there has been a tendency to judge the probable utilization of these items on the Western use patterns rather than on the use patterns of the Soviet bloc.

A closely related assumption is that where an item is deficient in the Soviet bloc and yet conclusive evidence is lacking that the deficiency is so great as to preclude fairly substantial current use for non-military production it follows that the present or future military capability of the Soviet bloc would not be enhanced by shipments from the free world.

I believe I am correct in citing these interpretations as carrying the burden of the line of argument of your negotiators in opposing continued control of the major number of disagreed items.

The US does not agree with this interpretation of the criteria. This interpretation involves the basic considerations which underlie the determination to revise the international controls on a "long-haul" concept. You will recall that this point was the subject of discussion by me with the Prime Minister and other cabinet members and at the tripartite conference. Fundamentally, we interpret the criteria in terms of the following two basic assumptions. The first is that where an item in short supply in the bloc contributes significantly to current Soviet military production even though also utilized for minimum civilian production uses, it should be denied or limited to the Soviet bloc unless the deficiency can reasonably be overcome within a short period of time. Secondly, when an item is basic to the mass production and highly economic production of military items, whether or not now exclusively so used, this item should be denied or limited to the Soviet bloc. This has particular relevance to the equipment and materials essential for the mass production of planes, ships, guided missiles, electronic equipment, etc., and the materials and equipment used in those related industries which in time of mobilization or under war conditions would be predominantly and even exclusively devoted to military production. In essence, certain items highly important to military production and deficient for all uses, military and civilian, in the Soviet bloc, should be denied or limited unless this deficiency can be removed within a reasonably short period of time.

Regardless of the slight alterations in the over-all Soviet production pattern, the Soviet bloc is predominantly a war economy. The continuing pattern of Soviet production is geared to the expansion and broadening of an industrial base to support not only the current level of military forces but to support a major military effort in the future. The US is willing, and has been willing, to concede that a number of items are not of crucial importance in the Soviet military build-up, although they are and will be used in military production as well as civilian. A major portion of the items currently in dispute are those items which, however currently used in the bloc, will make a substantial contribution to the ability of the Soviet bloc to maintain or increase its military capabilities—a contribution out of all proportion to possible benefits which the Western countries might derive from trade in such item.

Consistent with the concepts outlined above, I have directed a complete review of the items now disagreed. I can now give you our position on some of them and will advise further through our delegations as rapidly as possible. To confine myself initially with those specifically mentioned in your letter may I say, first as relates to the metalworking machinery group and the rolling mills, I understand that in a recent COCOM discussion of these items, agreement had not been reached, and alternative proposals advanced informally are currently under discussion by our respective tripartite delegations. May I state that the likelihood is that any new definitions which would substantially reduce the already severely limited control coverage proposed by our delegation would prove unsatisfactory to the US.

As relates to the horizontal borers, planers, and planer-millers which you proposed to delete from control, we feel that they have such strategic significance to the current and future military capabilities of the bloc that we believe they must continue to be controlled. Even in the United States these items are predominantly used in defense production, and we cannot accept the proposition that uncontrolled shipments of these items, in which the Soviet bloc is deficient, bear no important and direct relation to present and future Soviet bloc military capabilities. Under those circumstances, unless there can be some strict and mutually acceptable limitation on the size of these items and the quantities which might be shipped, we could not agree to other than the current embargo status. If you would advise me of the quantitative and size limit you would be willing to propose on these items, I shall instruct our officials to take them under advisement in an effort to resolve this matter.

Although you did not mention presses, I am sure you will recall my concern over this item. The disagreement still centers around the cut-off tonnage. We feel strongly presses of 1,000 tons and over should be embargoed, and that presses between 500 tons and 1,000 tons should be included under quantitative control.

You also referred to copper. Here, again, it is my opinion that copper should remain under embargo. This metal is basic to military production; it is critically deficient in the Soviet bloc, and is being stockpiled; there is substantial evidence of massive Soviet efforts to procure this item illegally. In the time of full mobilization or war, requirements for this item increase to astronomical levels. Moreover, the additional reasons for retaining this item under embargo from a political and public point of view are obvious.

With reference to the problem of shipping, the US has given serious consideration to the COCOM Chairman's proposal calling for a 120,000-ton global quota with an additional amount of 30,000 tons to be subject to the 3D (*quid pro quo*) justification. Although reluctant in view of the strategic case to be made for a lower quota of shipping, the US is prepared in general to agree to this compromise proposal as suggested in your letter. There are, however, several important elements of the proposal which must be clarified, and included in the proposal to make this a meaningful control level.

a. There should be advance consultation or notification on each transaction once the 120,000-ton level has been reached.

b. The 150,000-ton absolute quota limit for non-embargo ships would include seagoing tugs, dredges, icebreakers and sales of second-hand ships.

c. Sales of second-hand ships over 20 years old would be counted as half against the quota, provided that major overhauls of Soviet bloc ships would also be counted as half against the quota.

d. There would be exchange of information on repairs to Soviet bloc ships.

The details of these points will shortly be taken up with the UK and French delegations.

One other category in which there seems to be a wide area of disagreement concerns vital petroleum products and related production equipment.

I am of the opinion that these items merit the same degree of control as aviation fuels and related equipment despite the fact that they have a somewhat more general purpose usage. There is a mutual and interdependent relationship between petroleum products and petroleum equipment which would warrant comparable control. Even though it be considered that there is an adequacy of petroleum in the bloc for current requirements, in our view this does not establish a presumption of adequate supplies of petroleum products in extended military operation. I question the advisability of decontrolling items in this field that will add to Soviet bloc military potential.

I am sure you appreciate that my Government regards continued control of these petroleum products and equipment as vital to the security of the free world. This concern is shared by the Congress and public in view of the past experience with Japan prior to Pearl Harbor.

Finally, you propose in your letter that as soon as COCOM has completed its review of all categories, approximately 20 June, those items currently agreed for deletion should be decontrolled. In view of the French position and the current Indo-China tension, I must reserve my position on this proposal. I feel it necessary to await further developments before coming to a firm decision on that matter.

To come back to the items in disagreement, I have noted with appreciation your readiness to discuss the use of quantitative control on a strictly limited number of items. This step on your part will go a long way toward resolving our previous difference of position. I feel, as you know, that this technique of control is essential for certain items. I assure you that we will endeavor to limit our proposals in this area in such a manner as to make minimum use of this concept consistent with demonstrable requirements arising from the nature of the items now proposed for such control and the exigencies of the negotiating situation.

Additionally, I subscribe to your proposal that our officials in Paris continue to review the items now in disagreement on a tripartite basis. We are making a searching review here in Washington and our delegation will receive instructions on all such items as soon as possible. I trust this effort, based upon a mutual understanding that we are relating the control of an item not only to its present, but also its future, significance to the military potential of the Soviet bloc, will do much to reduce the number of disagreed items now outstanding. If the disagreement cannot be reconciled by our delegations in Paris, I would suggest further consultation between us by cable to then determine whether we and M. Schumann should personally meet again.

I am sending a copy of this message to M. Schumann.

450.6031/6-754

The Secretary of Commerce (Weeks) to the Special Assistant to the President (Cutler)

SECRET [WASHINGTON,] June 7, 1954.

Subject: East-West Trade

DEAR GENERAL CUTLER:

In the light of recent discussions in the National Security Council, it seems to me important to bring to your attention a point which I consider has been too lightly passed by without sufficient consideration for all of the ramifications involved.

In discussions to this point we have been considering on the one hand trade with China and on the other hand trade with the Soviet and iron curtain countries as though the two propositions were separate and distinct. The fact of the matter is that trade with China and Russia are one and inseparable and in my judgment should be treated as such in any further consideration of the subject.

We discuss possible deletions from the embargo, quantitative and watch lists with the thought in mind that this opening up of trade with Russia will have no possible effect on our *de facto* embargo on trade with China.

If we let down the bars and authorize deletions from the three lists cited above, we are to this extent and degree helping build the Soviet industrial war potential and additionally we must understand that to a much greater extent we shall be building first the Chinese industrial potential and later her industrial war potential. Every item on the list of deletions sold to Russia can be trans-shipped to China by the Trans-Siberian Railroad, or by a much easier route—through the port of Vladivostok.

I cannot emphasize strongly enough my desire for trade and my belief that trade is good. I am equally certain that we can never project our ideology and viewpoint through an iron curtain and that the way to cure Communism is in some manner to show the Communists that some other way of life is better.

However, I am equally certain that to a day by day increasing extent a war machine cannot be in being or function without an efficient industrial machine back of it. Science is making such fantastic progress that this industrial machine has to be continually revised and brought up to date if it is to give the war potential the support it must have.

Our information leads us to believe that for the foreseeable future the Communist countries cannot bring their industrial machine to this necessary point of perfection without matériel and assistance from the free economies which they so despise.

To be specific, it seems to me that we should immediately, in our thinking on this general subject, link China and Russia together and talk on the subject of East-West trade as though the two countries were one. This, I am sure, is the practical, realistic approach. At the present time 75% of China's total imports, estimated at $1,360,000,000, are received from the Soviet bloc. Since the Russians are not presently able to produce any substantial surplus of any of the items on our present strategic list, it is obvious that any additional quantity of any item which China receives must in the first analysis be imported by Russia under the present East-West trade arrangements. It seems to follow from this conclusion that whatever relaxation there may be in the present level of controls between the Soviet and the Western blocs will not only serve to assist in building up the Soviet potential and the China potential but also serves to make China increasingly dependent upon and subservient to Moscow. What we have then is a situation whereby our actions in respect to controls over trade with the Soviet bloc contribute directly to frustration of the policies which we are trying to implement in respect to China.

This situation is not cited for the purpose of suggesting that we should adopt a China policy on controls parallel with the one which we are developing in respect to trade with the Soviet bloc. It does suggest, however, that greater caution should be exercised in considering any further retreat from our present position in COCOM so long as the present unfriendly relationship exists between China and the Western bloc. It also suggests to me at least the desirability of a review of this aspect of the problem with the U.K. Government at the highest levels since, until this question is resolved in a way which would enlist the wholehearted support of the U.S. public, it would be extremely difficult to resolve the large number of items presently in disagreement with the U.K. Government.

The attached copies of reports from two of the Commerce Department's technical experts who have just returned from discussions on this subject with the British in Paris are illustrative of the frustrating situation in which we find ourselves.

I believe we may have already agreed, pursuant to the criteria agreed upon in London, to delete from the embargo list items which the Soviet bloc will find very useful, if not in direct military production at least in production providing strong support to their major military build-up. I gave you a list of a number of items which we look at in this light.

In this presentation I have only in mind the security of the United States and our defense position, which, from this point of view, at least, I consider it my duty to bring to your attention.

Respectfully yours,

SINCLAIR WEEKS

[Attachment 1]

Memorandum by the Deputy Director of the Power Equipment Division, Department of Commerce (Hand) to the Deputy to the Assistant Secretary of Commerce for International Affairs (Smith) [1]

SECRET [WASHINGTON,] May 24, 1954.

REPORT ON TRI-LATERAL AND COCOM MEETINGS IN PARIS

The Tri-Lateral and CoCom discussions on Electrical and Power Equipment have been completed. Results could have been much more satisfactory. The purpose of this memorandum is to propose methods whereby procedures can be improved and, it is hoped, with much better results.

The French attended the Tri-Lateral discussions on this equipment but did not take an active part. Later this caused considerable difficulty in the CoCom meetings because they did not follow through with a united front. The British took a very active part in Tri-Lateral meetings but gave only lukewarm endorsement in the CoCom meetings. A solid U.S., British and French front in the CoCom meetings would assure agreements on many items; as it is, the countries with only minor interest in some items are raising major questions without active rebuttal from these three countries.

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[1] Marshall Smith.

Time is allotted for both the Tri-Lateral and CoCom meetings on the basis of the number of items in a category. In Power Equipment there are a few minor items and a few major items. As much time is spent on minor items as is spent on major items. For example, more time was spent on cutting electrodes than was spent on turbo-generator sets. The U.S. Delegate should have insisted on more time for the major items but since even he did not understand the importance of power generating equipment it received inadequate time and consequently was a disagreed item.

The U.S. has a strong position in their willingness to send numerous technicians to these meetings. This strength is weakened by inadequate briefing in Paris. More time is required for discussions between the team coordinators and the technicians. In my case the CoCom meetings were unsatisfactory because the team coordinator did not use his technician to best advantage nor did he take an aggressive part in the meetings. Other countries look to the U.S. for active leadership in these problems but unless we act the part, other countries will continue to disagree with us and with each other.

Difficulties in these discussions were caused by different interpretations of the criteria. The British and others insisted on conclusive evidence that there was a shortage of power equipment in the Soviet Bloc. All countries of the world, even the U.S., are short of power equipment yet we were asked to prove that the SovBloc did not have all the generators they needed for fissionable material productions.

The feeling that we were facing opponents rather than teammates persisted through all the meetings which I attended. Concessions were made on some items in an effort to agree on other items but this only brought forth more disagreements.

Essentially all countries, except the U.S., are represented by the same individuals for all categories. This results in some rather unusual situations. Cyclotrons were confused with the diffusion process in atomic energy, turbine propulsion units for ships were confused with diesel propulsion units, and units of large size were completely confused with small insignificant units. This combined with a basic disagreement on the meaning of the criteria puts many items on the disagreed list.

[Attachment 2]

Report Prepared by John F. Skillman of the Department of Commerce

[WASHINGTON,] May 25, 1954.

A REPORT ON THE TRILATERAL DISCUSSIONS HELD IN PARIS MAY 10 THROUGH MAY 13

The following paragraphs cover impressions received in preparing for and attending the Trilateral discussions in Paris participated in by representatives of England, France, and the United States, covering the general industrial equipment area of machinery and production equipment. This report does not give the detailed outcome of the discussions of each of the 41 separate items of equipment but rather is intended to cover the general impressions received of the entire East-West trade discussions now going on.

The small staff of the USRO located in the Hotel Perey in Paris are working at high speed under tremendous pressure. The men with whom I dealt, including H. Gardner Ainsworth, Sidney B. Jacques, Mishell George, and Jack Myerson, are sincere in their efforts to carry out the Trilateral conversations successfully and are literally working nights, Saturdays, Sundays, holidays, and almost around the clock in their efforts to meet a very difficult schedule of meetings, one right after the other, covering all the areas of materials and equipment now under discussion. The attributes or criteria laid down in the original top level agreements do, of course, present serious difficulties to those endeavoring to retain embargo controls on important materials and equipment. These criteria give all the benefit to the side of the discussion endeavoring to remove controls. This in itself makes the handling of the negotiations extremely difficult; therefore, I was disturbed by the additional problems our negotiators are faced with, many of which seemed unnecessary.

In the first place, the Trilateral meetings I attended were held in the British Embassy. It would seem to me that the offices of the French Government would be more suitable since the discussions are in Paris, or failing that, some neutral spot. This may seem to be a small point but it must be remembered that in dealing with the British representatives, you are dealing with people who have almost ironclad instructions as to their position on each item and this position can only change or alter after a discussion with London. Meeting in the British Embassy allows any member of the British team to quickly step outside the meeting, contact London, and be back in the meeting in five minutes with his new instructions, which gives him a decided advantage over the U.S. delegation who can only contact Washington by overnight cable.

Secondly, the U.S. permanent delegation, because of the tight schedule of Trilateral conversations, are faced each Monday morning with a new delegation of experts from the United States. In my own case, and I know in the case of some others, we met our U.S. people in the Paris office for the first time exactly thirty minutes before the Trilateral meeting scheduled four blocks away in the British Embassy. This means that the permanent staff must get acquainted with the new group of experts, analyze their abilities at this type of discussion, go over their problem cases to determine if there is an expert present to cover them and if he can properly cover them, and whether he is the kind of expert who can handle himself well in an open discussion or if he had better be used only as an advisor. Coupled with all this, the permanent staff is at the same time trying to get out its cabled report covering the meetings held the preceding week, and the scene thus generated is one of complete harassment and confusion into which the, perhaps inexperienced, U.S. expert finds it very difficult to orient himself until the Trilateral conversations are almost over. It seemed to me that if it is worth sending a team of experts to Paris for these conversations, it is certainly worth sending them two days earlier so that they could arrive perhaps on a Thursday morning and be completely ready, settled and at ease by the time their meetings start the following Monday. It should be remembered that all U.S. experts are not experienced travelers abroad and cannot necessarily speak the French language. To have these people arrive at Orly Airport with no one to meet them, with, in some cases, no message whatever for them at the airport, with no French francs to take care of them over the week end and with no hotel reservation, is to add unnecessarily to the confusion, in my opinion.

I believe the above paragraphs cover the general impressions received from my ten days' experience in the Trilateral conversations. I would like to emphasize again that, in my opinion, the staff of USRO, including the three or four secretaries available, were a hard-working, sincere, determined group endeavoring to gain all they could in these Trilateral conversations but their work, already complicated by the very difficult attributes set down at a higher level, is made unnecessarily more difficult by the confusion caused as explained above.

One last thought is that I believe the staff of USRO needs stiffening by some assurance that their jobs will continue beyond July 1 or that some arrangement will be made to continue their employment. I seemed to detect an additional nervousness on the part of some because so many controls are being done away with that it would seem their jobs are also on the way out, and while I do not believe that this affected their thinking regarding controls, I do believe it is an additional worry that could be eliminated.

JOHN F. SKILLMAN

S/P-NSC files, lot 61 D 167, NSC 152 Series

Report to the National Security Council by the Department of State, the Department of Commerce, and the Foreign Operations Administration [1]

SECRET

WASHINGTON, June 11, 1954.

DISAGREED ITEMS IN COCOM NEGOTIATIONS

Problem

1. The problem is to determine what course of action the United States should follow with respect to the items on which unanimous agreement has not been reached in the present Coordinating Committee list review.

Background

2. The Coordinating Committee review of the International Lists, in accordance with the instructions of the Consultative Group, will be completed on June 20. At that time it is probable that the results will be as follows:

	I/L I	I/L II (B)*	I/L III	Total
Agreed to retain	130	15	30	175
Disagreed	55	20	7	82
Agreed to delete	85	45	87	217
Adjusted Total	270	80	124	474†
Total, assuming agreement on all disagreed items	(185)	(35)	(37)	(257)

3. It has been agreed that following the completion of the COCOM review there will be consultation between the US, UK and French resident CG delegates in an effort to resolve the disagreed

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[1] This report was transmitted to the members of the National Security Council under cover of a memorandum by Lay which stated that the subject was to be discussed in an NSC meeting on June 17; see the memorandum of discussion of that date, p. 1197.

*Subject to reservation by the British and certain other countries on the principle of quantitive control. [Footnote in the source text.]

†Includes 2 new items already on International Lists and 16 proposed to add to International Lists. [Footnote in the source text.]

area referred to in paragraph 2. This consultation on the official level may be followed by a tripartite consultation on the ministerial level prior to the CG meeting tentatively scheduled for early July.

4. All of the disagreed items resulting from the COCOM review are those which are regarded by the U.S. as strategic to the Soviet bloc and which have been considered as meeting the revised criteria for continued embargo or quantitative control.

5. The disagreed items in the COCOM review fall into several categories. The most serious and extensive problem relates to those items which are disagreed for embargo or quantitative control by the UK and France. If agreement could be achieved on these items the remaining area of disagreement with other COCOM countries on various items could probably be resolved.

This problem must be viewed in the perspective that the U.S. has already agreed to the deletion of about 217 of the total of 474 items considered in the COCOM review and to a substantial redefinition of many of the remaining items. If the disagreed items were to be deleted also, the extent of list reduction will clearly exceed the degree originally contemplated in NSC 152/3.[2] The extent to which the US has already agreed has resulted from the necessity to reach agreement in order to preserve Anglo-American unity.

[Omission in the source text.]

9. The third possibility appears to be the only course of action which can be realistically supported at this stage. Previous discussion in London with the British and French envisaged trilateral consultation prior to COCOM review on a category by category basis with the disagreed items subject to ministerial review. The process of high level review of disagreed items has to a certain extent taken place on individual categories by way of an exchange of correspondence between Mr. Stassen and Mr. Thorneycroft. The London discussions, however, clearly envisaged consultation on a tripartite basis in an effort to dispose satisfactorily of the disagreed area. The real problem therefore is one of determining the U.S. negotiating position for further tripartite consultation on the disagreed items.

10. There are 82 items falling in this category. Of the total of 82 disagreed items a preliminary review indicates that perhaps 10 to 15 of the items stand a good chance of being resolved within the outlines of the negotiating possibilities which have developed in the COCOM review; the basis on which settlement appears possible for such items is derived from analysis of each individual item and would be the position sustained by the United States in further dis-

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[2] For text as revised, see p. 1207.

cussions either on a tripartite basis or in the Coordinating Committee. This would leave approximately 70 items on the U.S. "hard-core" list.

Proposed Action

11. In order to implement the course of action recommended in paragraph 9 above, the following steps are proposed.

(a) The U.S. resident CG delegate should be given the results of the review contemplated in the foregoing paragraph as a basis for negotiation on an official level with the British and French CG delegates in tripartite negotiations concerning the disagreed items to take place in Paris at some time after June 20. The U.S. delegate may negotiate within the degree of flexibility indicated above and should ascertain from discussion with the British and French the degree of flexibility which they are prepared to consider with respect to the disagreed items.

(b) The results of the official level tripartite review in Paris should then be evaluated to determine the magnitude of the remaining area of disagreement. The U.S. should review the area of remaining disagreement to determine whether the U.S. should hold fast or make further concessions. This determination would then be used as a basis for ministerial level discussions with M. Schumann and Mr. Thorneycroft prior to the CG meeting in July. Guidance for these discussions should include an appraisal of the importance to be assigned to the maintenance of over-all cooperation with the British and French in relation to the strategic importance of the commodities remaining in disagreement.

(c) A major negotiating effort should be made in the tripartite ministerial review to resolve the remaining area of disagreement.

(d) If the results of the ministerial tripartite consultation present a remaining area of disagreement too great for the U.S. to accept, consideration should be given to the desirability of:

> (1) A message from the President to the Prime Minister and the French Premier in a final effort to reach a satisfactory tripartite settlement, or
>
> (2) Entering into intensive bilateral negotiations with the other COCOM countries in an effort to obtain support for the U.S. "hard-core" position. On the basis of such support, strive for a moratorium on the disagreed items whereby the present control level on these items would be maintained for a period of four to six months at the end of which the problem would be reviewed in the light of the situation then prevailing.

Related Problems

12. The current Indo-China situation raises a serious question as to the desirability or propriety of instituting a major relaxation of controls on shipments to the Soviet bloc in the near future. While the relaxation is to apply only to trade with the European Soviet bloc and not to China, the fact that many items will be removed from the control list for the European Soviet bloc will inevitably

aggravate the illogic between the differential levels of control applicable to the two parts of the Soviet bloc. Since this differential has been in existence for a considerable time, the relaxation will be an aggravation in degree rather than in kind. If the negotiating situation in Geneva and the military situation in Indo-China deteriorate between now and the July CG meeting, it will not be possible for the U.S. to agree to the decontrol of the items agreed for deletion. The present indications are that the British would strongly oppose any postponement except in the case of outright intervention in Indo-China whereas it now appears likely that the French would favor postponement even under the current situation in Indo-China. The consideration of the courses of action set forth above should also take into account the problem of timing with respect to Indo-China. The U.S. position at present is that the U.S. cannot at this time agree to a firm date for implementation of relaxation pending some clarification of the outcome at Geneva and the situation in Indo-China. It must be assumed that if the situation at Geneva or Indo-China should not deteriorate seriously beyond that prevailing at present it will probably be necessary for the U.S. to continue with relaxation towards the European Soviet bloc as agreed at the previous CG meeting unless the Council reaches a determination to the contrary. In the latter case, the proposed action as outlined in paragraph 11 would be affected both as to approach and timing.

13. The action to be followed by the Department of Commerce in adjusting U.S. export licensing policy toward the European Soviet bloc following the conclusions of the multilateral negotiations has been set forth in a separate paper to the NSC.[3] The reference paper presupposes the conclusion of the International List negotiations and deals with the action to be taken by the U.S. with respect to items deleted from the International Lists.

14. The NSC paper referred to in the previous paragraph also contains an annex outlining the problems relating to the Battle Act List of strategic commodities. It is obvious that the list maintained by the Battle Act Administrator should be made as closely comparable as possible with the international embargo list. Since the Battle Act deals with the policies required of aid-recipient countries subject to possible termination of aid under the provisions of the Battle Act, the Battle Act List should not differ significantly from the list agreed by the U.S. in multilateral negotiations concerning trade controls. It therefore follows that the implications of the Battle Act must be taken into account in evaluating the basis on which a settlement of the disagreed items is to be made.

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[3] *Infra.*

15. There obviously will be a problem within the U.S. if the embargo list maintained by the Department of Commerce is substantially longer than the embargo list maintained by the Battle Act Administrator. The fact that the Department of Commerce prevents American firms from exporting commodities to the European Soviet bloc when under the Battle Act exports of the same commodities would be permitted by foreign firms would be difficult to explain to the American public and to the Congress. However, the differences between the purposes and provisions of the Export Control Act and the Battle Act are such as may justify some differences between the two strategic lists, so long as the differences can be held to a minimum. Since the Battle Act in essence deals with a sanction to be imposed upon aid-recipient countries, the Battle Act Administrator's list should clearly contain those items whose uncontrolled shipment would have a serious consequence for U.S. and free world security.

S/P-NSC files, lot 61 D 167, NSC 152 Series

Report for the National Security Council by the NSC Planning Board [1]

SECRET

WASHINGTON, June 11, 1954.

UNITED STATES SECURITY EXPORT CONTROLS

PROBLEM

1. To what degree and at what time should U.S. controls over exports of commodities and supply of services to the European Soviet bloc be modified in the light of the reduced international controls which will result from the current Paris list review?

a. Should U.S. export controls be made identical with the controls internationally agreed at CG/COCOM both as to degree and timing?

b. Should the United States continue to maintain stricter and more extensive export controls than those of other COCOM countries, and if so, to what degree?

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[1] This report was transmitted to the members of the National Security Council under cover of a memorandum by Lay which stated that the subject was to be discussed in an NSC meeting on June 17; see *infra*. Also attached to the source text, but not printed, were a staff study and two appendixes. The first appendix listed items for which U.S. control was justified, even in the absence of international control, and the second contained a statement concerning special Battle Act administrative problems.

c. What should be the nature of controls on shipments to friendly countries in order to avoid circumvention and frustration of U.S. controls toward the Soviet bloc?

GENERAL CONSIDERATIONS

2. NSC 152/3 [2] provided for a "gradual and moderate relaxation" of U.S. controls over exports to the European Soviet bloc, it called for the use of more stringent criteria in the selection of strategic commodities, and it envisaged substantial alleviation of the disparity between the level of internationally agreed controls and the more severe level of U.S. controls especially where the implementation of our controls might weaken the cooperation of our allies in the international economic defense system. At the same time, however, NSC 152/3 called for the control of exports from the U.S. "with a view to avoiding a significant contribution to the Soviet bloc war potential, by limiting or denying commodities and data which have strategic significance, . . ." [3]

3. A review of the international lists of strategic commodities is taking place now in Paris. This review, stimulated by British proposals for sweeping decontrol, is resulting in sharp reduction in the internationally agreed lists of commodities. Although the strategic criteria on the basis of which this review is proceeding resemble those applied in U.S. export controls, there is one significant point of difference which has especially marked effects in relation to commodities and equipment used for both military and civilian production. This particular test is whether the item is one "in which the Soviet bloc has a deficiency which is critical in relation to its military capabilities and which it could not overcome within a short period." The phrase "military capabilities" is being construed and applied much more narrowly than the phrase "war potential" upon which the comparable U.S. criterion is based. The necessity for compromise in the interest of Western unity markedly intensifies this effect and often leads to results which are not defensible from a strictly strategic viewpoint.

4. There were 474 commodity listings considered in the COCOM review. Of these 270 were considered for embargo; 80 for quantitative control; and 124 for surveillance. As of June 11, although an accurate estimate cannot be made, it would appear that the new embargo list will contain a maximum of about 185 items (of which about 55 are still disagreed). We have no assurance that there will remain either a quantitative or surveillance list, but even with such lists the combined total of items controlled short of embargo

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[2] For text as revised, see p. 1207.

[3] Ellipsis in the source text.

would at best not exceed 72 items, plus any of the 55 disagreed embargo items which might fall to a lower classification. The revised international lists would thus total about 257 items or slightly more than one-half of the current lists. Aside from a reduction in the number of listings, the controls will be further reduced by a substantial narrowing of the coverage of many of the listings retained.

5. By contrast, the U.S. maintains an embargo (with rare exceptions) against exports to the Soviet bloc not only of all of the 474 items included in the International Lists, but also of an additional 113 items which we have considered of some strategic importance. Moreover, the U.S. requires specific license for all commercial exports sent to the Soviet bloc and in practice has permitted only shipments of a clearly innocuous nature. Furthermore, in order to safeguard against circumvention of controls over strategic commodity exports to the Soviet bloc, the United States generally requires licenses for exports of such commodities to many or all friendly foreign countries and keeps vigilance over them.

6. There has been no widespread expression up to now of a desire on the part of U.S. traders to expand their business with the Soviet bloc. There is, however, a great desire to be able to carry on trade with friendly countries as freely as possible. It is a matter of legitimate complaint by American exporters when they find themselves impaired in their efforts to do business in friendly countries in commodities which are known to be exportable without restraint by those countries to the Soviet bloc. It has been possible to meet this complaint as long as there has been some prospect of bringing the controls of other countries up to the U.S. level. Now that the prospect is reversed, however, this justification is removed. If, in these circumstances, we in the United States continue to treat as strategic those commodities which are not included in the International Lists and which can be obtained by the Soviet bloc from other Western countries, the logic of our position becomes increasingly untenable. Unilateral U.S. controls would not hinder Soviet bloc procurement; they would only hinder American foreign trade.

7. Logically the same argument can be made as to unilateral U.S. controls over shipments directly to the Soviet bloc. Such controls could not be justified on grounds of depriving the Soviet bloc of such materials except where the U.S. has effective control of supply; they would be open to the charge that they are an unnecessary restraint on American business. However, the public attitude toward this trade is not such as to raise an immediate problem in this regard. On the contrary, the attitude of the business community and of the public generally has been unfavorable toward extensive trade with the Soviet bloc and continues, at least up to the

present time, to support restrictive controls over all such trade, even in purely civilian commodities.

8. To accept the revised international levels of control toward the European Soviet bloc as U.S. policy would open the way for shipments from the United States of goods which by earlier standards were considered strategic and which would enhance Soviet bloc war potential without justification beyond the fact of sale. Such a policy could not be justified in terms of net security advantage to the United States. It might well lead to severe public and congressional criticism to the effect that the United States is permitting shipment of strategic goods to a potential enemy. This, coupled with U.S. acquiescence in the low level of international controls, might bring repercussions which could well extend to the entire foreign aid and mutual security programs.

9. A major difficulty in the U.S. control position arises from the double standard applied to strategic exports to the Soviet bloc. The Battle Act embargo list is considerably shorter than the embargo list denying exports from the United States to the Soviet bloc. This makes it appear that there are differing judgments within the executive branch as to what items are of strategic significance to the Soviets, and that certain commodities are considered strategic when shipped from the United States, but not when shipped from other countries. A further widening or even a continuation of this disparity will be increasingly difficult to defend or rationalize.

10. It would probably be desirable to announce any major relaxation in U.S. export control policy towards the European Soviet bloc at about the same time that the agreed relaxation of international controls is announced. Generally, it is in the U.S. interest that no announcement or implementation of a relaxation of international, and subsequently U.S., controls should occur until the situation with respect to Indochina becomes more clear.

ALTERNATIVES

11. There are three major alternatives which should be considered with regard to U.S. export control policy towards the European Soviet bloc.

a. Maintain U.S. controls over only those strategic commodities agreed for international control in COCOM.

b. Maintain U.S. controls as in a above, plus (1) additional strategic commodities which could be effectively controlled from the United States alone, and (2) commodities, whether strategic or not, which present special political problems for the United States (e.g., scrap, petroleum).

c. Maintain U.S. controls as in b above, plus any other strategic commodities, the shipment of which should be controlled to prevent the United States from being the source, even though such commodities are readily available to the European Soviet bloc from other free world sources.

12. It should be possible to reduce the present controls on shipments to destinations other than the Soviet bloc, whichever alternative in paragraph 11 is adopted. The first alternative would permit a greater reduction than the second, and the second a greater reduction than the third. Although the scope of controls would vary, the same general principles would appear applicable as follows:

> U.S. controls on shipments to destinations other than the Soviet bloc (requirement for prior specific license) should be maintained, both as to commodities and particular destinations, only to the extent necessary (a) to minimize the risks of unauthorized transshipments, and (b) to avoid the frustration or circumvention of U.S. controls towards the European Soviet bloc and Far Eastern Communist destinations, in accordance with the provisions of para. 23 of NSC 152/3.

13. The first alternative (11-a) would have the advantage of unifying the free world position on trade with the Soviet bloc, and would also remove any apparent discrimination against American foreign trade in this field. It would be consistent with the Administration philosophy of minimizing controls on American business except where required by the national interest. It would make it possible for the U.S. embargo list, the International List and the Battle Act List to be uniform. This alternative would have the disadvantage of permitting U.S. shipments to the Soviet bloc of commodities which we now, or in the future, may regard as having strategic significance for the Soviet bloc. It may be anticipated that such a policy would meet with considerable public and congressional opposition.

14. The second alternative (11-b) would have substantially the same advantages as the first, but also an additional advantage in that controls would be maintained in those cases where the U.S. controls would be meaningful and effective. The U.S. embargo list would probably be larger than the International List or the Battle Act List, but the differences would be readily justified and rationalized.

15. The third alternative (11-c) would have the advantage of avoiding the United States being the source of strategic commodities which would make a significant contribution to Soviet bloc war potential, even though readily available from other free world sources. It would probably have wider support than either of the others from Congress and the general public but not necessarily from the business community. It would not be consistent with the Administration's philosophy of maintaining only those controls

which are clearly necessary and effective in the national interest. It would discriminate without an apparent strategic basis against American business and foreign trade since American exporters would not be permitted to ship goods which the Soviet bloc would be receiving in any event from other free world sources. Maintenance of a wide differential between U.S. controls and those of other free world countries would raise serious domestic questions about a U.S. policy of acquiescence in shipments by other countries of goods which the U.S. considers strategic, and probably create additional problems between the United States and other free world countries. These questions would be particularly pointed towards the Battle Act Embargo List which under this alternative would be significantly shorter than the U.S. embargo list. It might be exceedingly difficult to explain that certain commodities are considered strategic when shipped from the United States but not when shipped from other countries.

COURSES OF ACTION

16. It is recommended that the first alternative (11–a) be rejected, and a choice be made between the second and third alternatives (11–b and c).

17. Adoption of either alternative 2 or alternative 3 would require changes in NSC 152/3. These changes would be the same for either alternative, except that the subparagraph in brackets below would be omitted if alternative 2 is chosen, but would be included if alternative 3 is chosen.

Add the following as subparagraphs to present paragraph 21:[4]

a. Deny or limit, as appropriate, export from the United States to the European Soviet bloc of the following categories of commodities only:

(1) All strategic commodities included on the COCOM international security list.

(2) Such additional strategic commodities as would contribute significantly to the war potential of the European Soviet bloc and which meet the following criterion: Strategic commodities, the U.S. unilateral control of which can reasonably be expected, because of U.S. production, supply or technology, to be effective in depriving the European Soviet bloc of a significant contribution to the latter's war potential.

(3) Other commodities, whether strategic or not, which raise such special political problems as to warrant U.S. export control to the European Soviet bloc despite the absence of international controls.

[(4) Any other strategic commodities the shipment of which should be controlled to prevent the United States from being the source, even though such commodities are readily available to the European Soviet bloc from other free world sources.][5]

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[4] Same as paragraph 20 of NSC 152/2, p. 1012.

b. As a general rule, approve for shipment from the United States to the European Soviet bloc commodities not included in subparagraph a, and, where appropriate, remove the requirement of specific licenses for such shipments.

Amend present paragraph 23[6] *to read as follows:*

23. a. Maintain U.S. controls on shipments to destinations other than the Soviet bloc (requirement for prior specific license), both as to commodities and particular destinations, only to the extent necessary to:

(1) Minimize the risks of unauthorized transshipments.
(2) Avoid the frustration or circumvention of U.S. controls towards the European Soviet bloc and Far Eastern Communist destinations.

b. In implementing a (2) above:

(1) Limit or deny shipments of strategic commodities to destinations other than the Soviet bloc when such shipments would contribute significantly to the ability of those countries to maintain or increase shipments of identical or similar commodities to the Soviet bloc, and when the limitation or denial will, in fact, significantly affect the supply of strategic commodities to the Soviet bloc.
(2) Do not take this action as a substitute for negotiations or in such a way that it is inconsistent with a cooperative international system of security controls.

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[5] Brackets in the source text.
[6] Same as paragraph 22 of NSC 152/2.

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 202d Meeting of the National Security Council on Thursday, June 17, 1954[1]

TOP SECRET EYES ONLY

The following were present at the 202nd meeting of the Council: The President of the United States, presiding; the Vice President of the United States; the Secretary of State; the Secretary of Defense; the Director, Foreign Operations Administration; and the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Attorney General (for Item 3); Assistant Secretary Anderson for the Secretary of Commerce (for Items 1 and 2); Assistant Secretary Siciliano for the Secretary of Labor (for Item

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[1] This memorandum of discussion was prepared on June 18 by Deputy Executive Secretary of the National Security Council Gleason.

5); the Director, Bureau of the Budget; Assistant Attorney General Barnes (for Item 3); Assistant Secretary of Defense Hannah (for Item 5); Walter S. Delany, Foreign Operations Administration; Assistant Secretary of the Army Milton (for Item 5); Herbert N. Blackman, Department of Commerce (for Items 1 and 2); Irving Kramer, Foreign Operations Administration (for Items 1 and 2); General Twining for the Chairman, Joint Chiefs of Staff; the Chief of Naval Operations; the Director of Central Intelligence; Robert Cutler, Special Assistant to the President; the Deputy Assistant to the President; the White House Staff Secretary; Bryce Harlow, Administrative Assistant to the President; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

There follows a summary of the discussion at the meeting and the chief points taken.

1. *Disagreed Items in COCOM Negotiations* (Memo for NSC from Executive Secretary, same subject, dated June 11, 1954; NSC 152/3; NSC Actions Nos. 1121 and 1130)[2]

After Mr. Cutler's briefing of the Council, Governor Stassen called on Admiral Delany to present his report on the status of the current COCOM negotiations. As Admiral Delany was concluding his report, the President, who had been delayed, entered the meeting and took the chair from the Vice President.

Governor Stassen then pointed out his intention to make a further effort to refine the area of disagreement with the British and French, but to hold firmly to the control of such items as the United States believed it essential to avoid building up the war potential of the Soviet Union. He indicated that he would attempt to induce the other COCOM nations to agree to retain these hard-core items on the International Lists for export control and, failing this, to persuade them at least not to delete any of these hard-core items at the present time. Governor Stassen said the task would be difficult, and it might be helpful if the President would speak to his "distinguished guests of next week" on the problem.[3]

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[2] The memorandum by Lay transmitted the report of June 11, p. 1191. For text of NSC 152/3 as revised, see p. 1207. NSC Action No. 1121 corresponded to the summary appended to the memorandum of discussion at the May 13, 1954 NSC meeting, p. 1159. NSC Action No. 1130 corresponded to the summary appended to the memorandum of discussion at the May 20, 1954 NSC meeting, p. 1167.

[3] The reference here is to the visit of Prime Minister Churchill and Foreign Secretary Eden to the United States, June 25–29, 1954. For documentation on the discussions which took place during this visit, see volume VI. At a meeting on June 23, President Eisenhower and Secretary Dulles agreed that the President should avoid detailed discussion of East-West trade during the conferences; the memorandum of their conversation, dated June 23, together with additional pertinent papers, is printed *ibid.*

The President directed his first questions to the announced intention of the United States to retain high octane gasoline, jet fuel, and certain other petroleum products on the embargo list. If, said the President, the Soviets are in a weak position on these petroleum products, the more of them they use up in time of peace the better it would be for the free world, always provided that the Soviets are unable to import so much of these products that they can be stored up for use in a future war. The President doubted whether the Soviets could store any great amount of these products.

Governor Stassen pointed out that if you exported to the Soviet bloc all the high octane gas and all the jet fuel that the bloc desired, you would permit the bloc to build up its air forces without diminishing the bloc's own domestic supply. The President argued that any nation that depended on imports from abroad to maintain its air force would be in very tough shape in the event of war, since you used up fuel so fast in modern war. Accordingly if the Soviets are obliged to import petroleum, they must be in considerable difficulties, and he would be inclined to increase these difficulties by letting them have petroleum products.

Governor Stassen replied that the mere fact that the free world permitted such fuels to be exported to the Soviet Union would not mean that the Soviets would not continue to explore and drill for petroleum in territories which they controlled. Secretary Wilson expressed agreement with Governor Stassen, and said that if these imports were permitted the Soviets might well put their established oil fields on half rations. The President, however, remained unconvinced, and asserted again that if you can get an enemy in a position of dependence on outside sources for scarce and vital commodities, it would obviously be advantageous to continue and make more acute this dependence on imports.

Secretary Dulles inquired about the status of nickel, which was in such short supply in the free world, and was assured by Governor Stassen that this commodity had been kept on the hard-core list for embargo. He said that he was at a loss to explain the British desire to remove nickel from the embargo list, and added that we were also insistent that copper be embargoed. Of the remaining commodities in disagreement, Governor Stassen stated that the United States had reached a point in the negotiations where it felt that it must hold the line, and repeated his hope that the President would make this clear to Sir Winston Churchill. The President replied that he would speak to the Prime Minister, but that he wanted to be sure that when he did so his position was logical. Would it be possible, he added, to get the British to agree to continue the embargo on nickel if we deleted the petroleum products?

Governor Stassen replied that petroleum would pose a difficult issue in Congress. If we were to agree to release jet fuel for export to the Soviet Union, the Administration would almost certainly meet defeat on this point in Congress. He felt it was important that Sir Winston Churchill should know that the United States has decontrolled as many disagreed items as possible, from the point of view both of its strategic interests and the attitude of Congress.

The President said that he realized the seriousness of the domestic political considerations, but he was very skeptical indeed of the validity of our embargo program as a means of protecting our strategic interests. Governor Stassen defended the effectiveness of the export control program from the strategic point of view, and was strongly supported by Secretary Wilson, who feared that any further relaxation of the controls on exports from the free world to the Soviet bloc would put us in the position of actually building up Soviet war potential. He added that as far as he could see, the free world countries got very little that was useful in return for the goods they shipped to the Soviet bloc. The real concern of the free world countries was simply to make money in their transactions with the Soviet bloc.

Governor Stassen indicated disagreement with Secretary Wilson's last point, and gave as an example the fact that the Norwegians obtained manganese from the Soviet Union in return for the fish that they sent to Russia. The President also disagreed with Secretary Wilson, and said that while our export controls could not actually prevent the build-up of the Soviet war potential they could at least slow up this process. He went on to point out, apropos of the sale of tankers to Russia by Denmark, that these small countries had got to make a living, and in our consideration of export controls we could not ignore the fact of "how do our friends live?" The President also cited the case of Japan and the difficulties that the Japanese were going to experience in earning their living if they were excluded from Southeast Asia and prevented from trading with Communist China. Accordingly, the President concluded that we would have to find out what impact our export control program would have on the free world as a whole. We must recognize the fact that many of these nations live on trade, and we cannot adopt a policy which compels them to remain "cold and hungry".

Mr. Cutler pointed out that it was the President's point of view, as just expressed, which had in fact led the United States delegation to agree to delete a considerable number of items from the lists for control. He then asked the Council if it would agree to support the recommendations which were made in paragraphs 11(a), (b), (c) and (d) of Governor Stassen's written report. The Council agreed to accept these recommendations.

Governor Stassen then said that there remained the problem of timing an announcement of the relaxation in the International Lists for export control, particularly in view of the serious situation in Indochina. Mr. Cutler pointed out that this issue was specifically raised in the next item on the agenda, and suggested that it be discussed at that point.

The National Security Council:

a. Discussed the report on the subject transmitted by the reference memorandum, in the light of an oral briefing by Admiral Delany.

b. Agreed that the United States should proceed for the present along the general lines set forth in paragraph 11(a), (b) and (c) of the report.

c. Noted that, if the results of the ministerial tripartite consultation present a remaining area of disagreement too great for the U.S. to accept, the Director, Foreign Operations Administration, would request the Council to consider further alternative courses of action, including those set forth in paragraph 11(d).

Note: The actions in b and c above subsequently transmitted to the Director, Foreign Operations Administration, for implementation.

2. *United States Security Export Controls* (Memos for NSC from Executive Secretary, same subject, dated June 11 and 16, 1954;[4] NSC 152/3; NSC Actions Nos. 1121 and 1130)

After Mr. Cutler had briefed the Council very thoroughly on the contents of the report and had called attention to the views of the Joint Chiefs of Staff, he asked Assistant Secretary Anderson to present the views of the Department of Commerce.

Secretary Anderson said that he could do this very briefly. Commerce favored adoption of Alternative B because of its view that to maintain export controls over products made in the United States which were also freely available to the USSR from the other free world countries, was contrary to the philosophy of the Eisenhower Administration.

Secretary Wilson said that he belonged, along with the Joint Chiefs, to the group which believed that we should continue to adhere to the strictest possible control of exports to the Soviet bloc from any free world country. If in practice, however, we could not get our allies to go along with us on this strict basis, we certainly ought to observe the same standards as the rest of our allies. If we maintained stricter controls than our allies, we would appear to stand out as the special enemy of the USSR, and this would of course cause difficulties between us and our allies. We did not want to create a situation where it would look as though our allies were friendlier and more reasonable to the Soviet bloc, while the United States adopted or maintained a particularly tough attitude.

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[4] The memorandum of June 11 by Lay transmitted the report by the NSC Planning Board, June 11, p. 1191; the memorandum of June 16 transmitted the views of the Joint Chiefs of Staff, as revealed in the ensuing discussion, on the report.

Secretary Humphrey also expressed the view that the United States should be in a position to sell to the Soviets any commodities that the British were permitted to sell them. We should adopt the principle "whatever they sell we will too." Accordingly, Secretary Humphrey expressed a preference for Alternative B.

The Secretary of State commented that the various philosophies which underlay the arguments he had listened to remained obscure to him. If it was our theory that we tell Congress that we are going to get more from the Russians than we give, this was palpably false. If it is our theory that we are going to relax on East-West trade controls because our allies need to trade with the Soviet bloc in order to make a living, Secretary Dulles said he couldn't understand the argument that the United States should likewise feel free to trade and possibly to out-trade our allies vis-à-vis the Soviet Union.

Governor Stassen said that there was certainly a great variety of differing philosophies in support of reducing the number of items on the International Lists, and you could never hope to get agreement on any one of them. He pointed out, however, that if the United States itself refrained from taking advantage of the reduced lists and permitted our allies alone to benefit from the relaxation, we could almost certainly expect them to clamor for still further reductions in the controlled items.

Secretary Wilson commented that he hoped in any case our allies were not going to finance this trade with the Soviet Union on the basis of credits offered to them by the United States. He repeated his view that the United States should retain the right to trade with the Soviet bloc in all the commodities that our allies traded in.

The President said we should put it this way: We will go as far in making concessions as we are required in order to allow our allies to make a living. That much of a concession we must certainly make. But beyond that the United States itself does not want to make profits out of commerce with the Soviet bloc. The President added that the whole problem was so complicated and had so many aspects that he was not really sure precisely where he stood on it.

Secretary Humphrey agreed that concessions must be made to our allies in this matter of East-West trade, and we should try to limit such trade to the maximum feasible extent consistent with the needs of our allies. When that had been agreed upon, however, the United States should trade to the same extent as its allies, if for no other reason than to forestall further attempts on the part of the free world nations to delete further commodities from export control

Mr. Cutler said that the consensus appeared to favor Alternative B.

Secretary Dulles inquired about the category of commodities which the United States would continue to embargo because they raised domestic political problems. Why, for example, were anti-biotics included in this category? Was this a heated issue in the Congress? Secretary Anderson explained that there was considerable emotion on this subject in Congress. While, he pointed out, nothing in the present paper permitted the sale of anti-biotics or any other strategic items to Communist China, there was very little doubt that the USSR was transshipping to Communist China anti-biotics obtained from free world sources.

Mr. Cutler then raised the question of the appropriate timing of an announcement of the relaxation in export controls. In response to statements by the President indicating a belief that no public announcement on relaxation should be made, Secretary Anderson agreed that it would be possible for the United States to employ a "certain vagueness" respecting the relaxation. No specific announcement would be required, and controls or decontrols could be handled by means of the Department of Commerce licensing system. The President said he thought very well of this proposal, but Mr. Cutler pointed out that it did not, of course, cover the cutting down of the lists for international control. The President said that we could not control what other nations did, although we could take care of our own announcements.

Secretary Dulles expressed himself as strongly opposed to any announcement of relaxation of trade controls with the Soviet bloc at a time when the French were in such serious trouble in Indochina. Mr. Cutler said he took this to mean that Secretary Dulles opposed any public announcement until such time as the situation in Indochina was clarified. He pointed out that this was the recommendation in paragraph 10 of the report. Secretary Dulles said that paragraph 10 did not quite cover his problem, since it placed implementation of the relaxed controls and announcement of the relaxation of the controls in the same category. It might prove necessary for the United States to agree to implement the new program of relaxed controls prior to any settlement in Indochina. At least, however, it was not necessary to present any formal announcement that this implementation had begun.

The President suggested that the problem might be met by an announcement of the commodities which remained embargoed, but no reference to the items which were to be decontrolled. Secretary

Anderson warned that it would be very difficult to persuade the British to refrain from public announcement of the new policies.

The National Security Council:

a. Discussed the report on the subject transmitted by the reference memorandum of June 11.

b. Adopted the proposed amendments to paragraphs 21 and 23 contained in paragraph 17 of the report, subject to the following changes:

(1) *Paragraph 21-a-(1):* Change "list" to "lists".

(2) *Paragraph 21-a-(2):* Delete the words "and which meet the following criterion: Strategic commodities".

(3) *Paragraph 21-a-(4):* Delete.

c. Agreed that it is in the U. S. interest that no implementation or, if implementation becomes inescapable, no formal announcement of a relaxation of international, and subsequently U.S., controls should occur until the situation with respect to Indochina becomes more clear.

Note: Revised pages for NSC 152/3 incorporating the above amendments, as approved by the President, subsequently circulated to all holders of NSC 152/3.[5] The action in c above, as approved by the President, subsequently transmitted to the Director, Foreign Operations Administration, for appropriate implementation.

[Here follows discussion of the effect on national security interests in Latin America of possible anti-trust proceedings, the five-power examination of the military situation in Southeast Asia, and reserve mobilization requirements.]

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[5] For the text of NSC 152/3, as revised by the foregoing action of the NSC, see p. 1207.

460.509/6-1754: Telegram

The Acting United States Special Representative in Europe (Martin) to the Department of State [1]

SECRET PRIORITY PARIS, June 17, 1954—6 p.m.

Polto 2074. Excon. For Stassen, Merchant, Waugh. Subject: July CG meeting—recommended US position.

1. As indicated immediately preceding telegram [2] (sent Washington only), any hardening US attitude on EWT should find expression in formulation US position July CG meeting.

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[1] Repeated to Ankara, Athens, Bonn, Brussels, Copenhagen, The Hague, London, Lisbon, Oslo, Ottawa, Rome, and Tokyo.

[2] Polto 2073 from Paris, June 17, 1954, not printed. (460.509/6-1754)

2. USDel while not in position fully evaluate global international situation and its relevance EWT policies, nevertheless thinks following propositions self-evident:

a. Assumption of long-haul period of tension short of war is less tenable as basic premise now than it was in period from June 1953 to April 1954 when decisions contract strategic lists were first conceived and later internationally agreed.

b. Prospects for long-term validity this assumption can be better assessed a few months hence than now.

c. COCOM item deliberations pursuant April CG decisions have been conducted altogether on basis technical and commercial considerations (influenced to some extent by intelligence data of very limited scope, i.e., relation to Soviet bloc availabilities or uses of specific commodities narrowly defined); not discernably influenced by general political and strategic appraisals.

d. If COCOM technical recommendations thus reached are translated into CG implementation decisions, they become for practical purposes all but irrevocable even though, on broad political and strategic assessment, they might be judged imprudent or wrong.

3. Furthermore, from strictly US point of view, other relevant considerations are:

a. Prospect large Soviet-supported military activity southeast Asia theater (with obvious consequences in Pacific theater) much greater now than in April; this necessarily modifies US views on strategic implication relaxation controls vis-à-vis USSR because directly impinges on US responsibilities Pacific area; and present plausibility of a wide differential in control pattern between East Europe and Far East much less than at earlier dates.

b. List review has gone much further in fact than US anticipated or would have been prepared favor; US has, in course technical review (as per paragraph 2c above), made many concessions and compromises out of deference views other PCs and for sake achieving prompt completion COCOM review; hence US would be inclined question soundness of sum-total COCOM recommendations (as distinct from individual item decisions viewed separately); hence, even if basic assumptions unchanged from April, US would favor intensive review, from political angle, of total COCOM result; but since principal basic assumption now of much more dubious validity than three months ago, US should insist on such review since potential decontrol decisions so drastic.

4. If foregoing analysis correct USDel recommends US position at July CG along following lines:

a. Prepared go along with immediate decontrol certain items from all three I/Ls, viz., items which were properly pruned from I/Ls because control no longer necessary or worthwhile. (US should have a prepared list such deadwood items, which easily identifiable) from among those on which unanimous COCOM agreement for deletion (as those on which unanimous or near-unanimous agreement Washington agencies during preliminary review).

b. Re remainder of items agreed COCOM-wise for deletion, US recommends deferral of decision for three months pending reassessment over-all world situation.

c. In meanwhile, such political reassessment (and its bearing on EWT) to take place through bilateral exchanges views, through CG meetings, through consultations among PC Foreign Ministers or through any combination such methods.

d. In meanwhile also, all PCs conscientiously to re-examine from political and strategic, those important items viewpoint, emerging from COCOM list review as disagreed.

e. COCOM deliberations since April meeting have produced useful recommendations re techniques of non-embargo control and reimproved enforcement; CG at its July meeting should consider which of these recommendations should be accepted for immediate execution even while results COCOM item discussions held in abeyance.

5. Washington authorities will no doubt have already given thought to possibility some important EWT discussions during or in connection with US/UK high-level consultations scheduled Washington June 25. This would be ideal occasion for US/UK bilateral reassessment as per paragraph 4c above. In view negotiating history, it would be most badly received were US unilaterally and as announced to take in CG such position as outlined paragraph 4 above unless preceded by US/UK consultation at highest level; and principal content forthcoming Washington talks provides perfect context for reassessment EWT policies.

6. If discussions as per paragraph 5 above was taken Washington, they might include, in addition to general political assessment, a few specific items or item-groups having conspicuous political character, e.g., petroleum complex.

7. Washington authorities will also no doubt evaluate most carefully results COCOM deliberations re tightened enforcement with view determining whether results this field satisfy US conditions stated in April CG and various preceding bilaterals as required concomitant for reduction of I/Ls. (Terminal enforcement meeting scheduled for today.)

8. If position taken by US roughly as paragraph 4 above, USDel assessment reaction other dels as follows:

a. Favorable (in varying degrees): Canada; Germany; Italy; France (probably); Japan and Portugal (for special reasons); Turkey (probably, but no evidence).

b. Clearly unfavorable: Denmark; Netherlands.

c. Probably unfavorable: Belgium; Norway.

d. Unknown: Greece.

e. UK reaction depends on outcome such conversation as envisaged paragraphs 5 and 6 above.

9. Comments addressee posts invited.

MARTIN

S/S–NSC files, lot 63 D 351, NSC 152 Series

Report by the Executive Secretary of the National Security Council (Lay) to the National Security Council[1]

SECRET
NSC 152/3

WASHINGTON, June 18, 1954.

STATEMENT OF POLICY BY THE NATIONAL SECURITY COUNCIL ON ECONOMIC DEFENSE

GENERAL CONSIDERATIONS

1. Broadly stated, the problem is the extent and degree of intensity with which the U.S. should apply, and seek to have other countries apply, controls on trade with the Soviet bloc and with Communist China,* in order to reduce their relative economic potential for war.

2. The assumption underlying the problem is that we are faced with a long period of tension short of war and that, regardless of gestures made by the Soviet bloc, the motives of the Communist countries are properly to be viewed with suspicion and skepticism. Our attitude and program, however, must be one which will not increase the possibility of war, but rather one which will keep open paths which might lead to a sounder basis for peace.

3. During this period the courses we take should be based upon the assumption that interference in the trade between the free world and the Soviet bloc should take place only where a clear advantage to the free world would accrue from such interference. They should also be based upon the assumption that the maintenance of some personal and commercial contacts between the free world and the Soviet bloc, particularly the satellites, may have positive advantages during this period of tension and watchfulness.

4. Over the long term, trade controls, though withholding a contribution to the over-all Soviet bloc economy, cannot seriously impair that economy. Over the short term and in selected areas, however, there probably is a retardation of the growth of Soviet war potential.

5. Controls on trade still pose economic, financial and political problems for many of our allies. These problems should be given

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[1] For a description of the origins of this paper, see the editorial note, p. 1038, and item 2 of the NSC memorandum of discussion, June 17, p. 1201.

*Communist China as used throughout this paper includes North Korea. [Footnote in the source text.]

appropriate weight and taken into account in determining the nature of the control which the free world must exercise in its economic relations with the Soviet bloc.

6. The system of controls already agreed among the United States and cooperating nations of the free world substantially satisfies our economic defense objectives of retarding the buildup of the Soviet bloc war potential and of strengthening the free world relative to the Soviet bloc. Extensions of the control lists should not be necessary except where clearly justified by new technology, intelligence or strategic evaluation. The principal future emphasis in improvement of the control system should be in the field of implementation and enforcement. U.S. efforts should be devoted to establishing the control system on a narrower and more flexible basis by tightening the criteria so as to concentrate on commodities and services which contribute significantly to the war potential of the Soviet bloc.

7. There are indications that the USSR is changing its tactics with respect to its economic relations with the free world countries and is giving increased emphasis to trade with the West. There are signs, too, that economic interests within the free world, including the United States, are becoming more interested in increasing trade with the USSR and its satellites.

8. The pressures to trade with the East may also be expected to become stronger now that an armistice has been negotiated in Korea. Furthermore, the fact that U.S. assistance to Western European countries is diminishing, lessens our influence and also may make them more dependent on non-dollar sources.

9. Our economic defense program must be framed and administered with full recognition of the fact that the economic defense system of the free world is part of the larger system of military and political alliances and, like them, depends upon the cooperative efforts of the free nations. Accordingly, in determining the measures which the United States should adopt and those to be urged on other nations, the impact upon the existing international system of economic defense as a whole, and upon the free world military and political alliances, must be taken into account. Similarly, in multilateral military and political discussions consideration should be given to the impact of courses of action on the economic defense program.

10. There is a continuing necessity for U.S. controls over exports to the Soviet bloc. However, a gradual and moderate relaxation in the present practice of virtual embargo of shipments to the European Soviet bloc would be appropriate, provided that in the pace and timing of such relaxation due consideration is given to the effects on the total economic defense effort.

11. The United States should exercise export controls with respect to destinations other than Soviet bloc countries, to the extent necessary to avoid the circumvention and frustration of U.S. security controls. Such controls should not be applied, however, as a substitute device for negotiation in persuading friendly foreign countries to adopt adequate controls. It is important to avoid measures which reduce the willingness on the part of free world countries to cooperate in the international system of controls, or measures which do not significantly affect the supply of strategic commodities to the Soviet bloc.

12. The effectiveness of international controls over given commodities or services normally depends in part upon the controls imposed not only by the United States but also by other nations of the free world. In determining a particular course of action, the United States should take into account the economic and military vulnerability of the Bloc countries and the views and intentions of the other principal nations of the free world.

13. Two types of risks attend excessive dependence of free world countries on Soviet markets for non-strategic commodities and on Soviet sources of supply for essential commodities. Such excessive dependence places the Soviets in a better position:

a. To insist on the inclusion of strategic commodities or services as a condition for continuing or enlarging a profitable trade in non-strategic commodities; or

b. To influence the political policies or disrupt the economies of free world countries.

An essential element in reducing such excessive dependence is the development within the free world of alternative markets for commodities presently sold to the Soviet bloc and of alternative sources of supply for commodities presently acquired from the Soviet bloc.

14. Control over commodities should also be supplemented by ancillary controls, such as shipping, transit trade and transshipment, bunkering and chartering and repairs of ships, where these will contribute to the effectiveness of the control system.

15. Trade is a vital element in the economy of the free world countries. Restrictive features of U.S. import policy limit the entry into the United States of the commodities of friendly foreign countries. This has the over-all effect of making such countries look to the Soviet bloc as the alternative outlet for their commodities and of making them less receptive to trade control efforts.

16. Economic defense policies toward Communist China differ from those toward the rest of the Soviet bloc since Communist China is a military aggressor.

17. Hong Kong and Macao are colonies of friendly countries and their economic needs should be viewed in that light. However, the relationship of the economies of Hong Kong and Macao with that of Communist China is so close that the risk of the circumvention and frustration of economic defense controls toward Communist China is greater through transactions with these western colonies than through similar transactions with other free world countries. This danger is greater in the case of Macao because of its history of uncontrolled trade and the unreliability of its export controls. It is therefore necessary to take special care in the control of transactions with Hong Kong and Macao.

18. The implementation of the policy set forth herein does not require a change at this time in the Mutual Defense Assistance Control Act (Battle Act), the Export Control Act, or related legislation.

GENERAL OBJECTIVES

19. With respect to the Soviet bloc excluding Communist China:

a. To control selectively exports of commodities and supply of services from the free world which contribute significantly to the war potential of the Soviet bloc.

b. To obtain the maximum net security advantage for the free world from economic intercourse which takes place between the free world and the Soviet bloc.

c. To decrease the reliance of free world countries on trade with the Soviet bloc.

d. To increase the political and economic unity of the free world.

e. To decrease, through skillful flexibility in applying controls, the political and economic unity of the Soviet bloc.

20. With respect to Communist China, in the light of the Korean armistice, and pending a political settlement in Korea and a review of basic policies toward Communist China and Korea, maintain the present U.S. level of controls on transactions with Communist China and continue intensified efforts to persuade our allies to refrain from relaxing their controls on trade with Communist China.

COURSES OF ACTION

Toward the Soviet Bloc Excluding Communist China

21. Control the export from the United States of commodities and technical data to the Soviet bloc with a view to avoiding a significant contribution to the Soviet bloc war potential, by limiting or denying commodities and data which have strategic significance, but without imposing undue restraints on the shipment of non-strategic commodities to the Soviet bloc. Accordingly, present U.S. controls should be gradually readjusted with due regard to pace and timing and to effect on the total economic defense effort.

a. Deny or limit, as appropriate, export from the United States to the European Soviet bloc of the following categories of commodities only:

(1) All strategic commodities included on the COCOM international security lists.

(2) Such additional strategic commodities as would contribute significantly to the war potential of the European Soviet bloc, the U.S. unilateral control of which can reasonably be expected, because of U.S. production, supply or technology, to be effective in depriving the European Soviet bloc of a significant contribution to the latter's war potential.

(3) Other commodities, whether strategic or not, which raise such special political problems as to warrant U.S. export control to the European Soviet bloc despite the absence of international controls.

b. As a general rule, approve for shipment from the United States to the European Soviet bloc commodities not included in subparagraph *a,* and, where appropriate, remove the requirement of specific licenses for such shipments.

22. Continue the prohibition of all exports of the following destined for the Soviet bloc, either directly or indirectly: arms, ammunition, implements of war and atomic energy materials.

23. *a.* Maintain U.S. controls on shipments to destinations other than the Soviet bloc (requirement for prior specific license), both as to commodities and particular destinations, only to the extent necessary to:

(1) Minimize the risks of unauthorized transshipments.

(2) Avoid the frustration or circumvention of U.S. controls towards the European Soviet bloc and Far Eastern Communist destinations.

b. In implementing *a* (2) above:

(1) Limit or deny shipments of strategic commodities to destinations other than the Soviet bloc when such shipments would contribute significantly to the ability of those countries to maintain or increase shipments of identical or similar commodities to the Soviet bloc, and when the limitation or denial will, in fact, significantly affect the supply of strategic commodities to the Soviet bloc.

(2) Do not take this action as a substitute for negotiations or in such a way that it is inconsistent with a cooperative international system of security controls.

24. Improve the availability and enhance the utilization of current intelligence in matters relating to enforcement of controls.

25. Tighten the criteria for the inclusion of commodities on our lists to provide for the selection of commodities which contribute significantly to Soviet war potential.

26. Concentrate on effective implementation and enforcement of the security control systems which have been agreed by the free world.

27. Improve implementation and enforcement of agreed control systems through the development of ancillary measures including, where appropriate, control over transit trade and transshipment, free port activities, use of transportation facilities, financial control, blacklisting, and greater coordination among national control authorities.

28. Avoid proposals for extensions of controls which involve disproportionate expenditure of good will and bargaining power.

29. Maintain flexibility with respect to the modification of presently agreed controls.

30. Give greater weight in determining U.S. actions to the impact of the control system on the economic, political and financial situation of our allies and to their views and intentions.

31. Consult with other principal free world nations before entering into new major economic defense programs.

32. Seek to demonstrate to free world nations, on appropriate occasions, the risks of excessive reliance on the Soviet bloc as a trade partner for the free world.

33. Encourage and facilitate the flow of trade within the free world, including the entry of commodities into the United States by reduction of trade barriers, particularly when the effect of such action would be to decrease the reliance of the free world on the Soviet bloc.

34. Encourage and support, by all reasonable means, the development of alternative markets and sources of supply within the free world, so as to reduce dependence of free world countries on Soviet bloc markets and sources of supply.

35. Seek to provide safeguards designed to minimize the immediate effects of a sudden reduction or cessation of trade initiated by the Bloc.

36. Administer current U.S. programs such as economic development, military procurement, defense support, stockpiling and similar activities, in such a way as to take into account the impact on the economic defense program, and, particularly, the objective of decreasing the free world's reliance on Soviet bloc trade.

Toward Special Areas

37. In applying controls, accord to Hong Kong treatment consistent with that generally accorded cooperating countries while employing such special care as may be necessary to prevent frustration of economic defense controls on transactions with Communist China.

38. To the same end apply more stringent controls on trade with Macao as may be appropriate.

39. In the absence of further Chinese Communist aggression and during the period prior to achieving settlements satisfactory to the United States in the areas around Communist China, the United States should release Japan gradually, as appropriate, from its obligations under the U.S.-Japanese bilateral agreement to maintain export controls higher than the CHINCOM levels.

460.509/6-1854

The Director of Foreign Operations (Stassen) to the President of the Board of Trade of the United Kingdom (Thorneycroft) [1]

SECRET WASHINGTON, June 18, 1954.

You will recall that in my last message to you,[2] and in reply to your proposal that currently agreed items should be decontrolled approximately 20 June, I stated for given reasons I had to reserve my position.

Since the next two weeks may be the crucial period in the Hanoi Delta, and the further period is unpredictable, I should like to advise you that until the situation with respect to Indo-China becomes more clear, I must withhold my concurrence to the decontrol of items agreed for deletion.

I trust that your appraisal of the seriousness of that situation has led you to the same conclusion.

I am sending a copy of this message to M. Schumann.

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[1] This message was transmitted in telegram 6958 to London, June 18, 1954.

[2] Dated June 5, p. 1176.

460.509/6-2554: Telegram

The United States Special Representative in Europe (Hughes) to the Department of State

SECRET PRIORITY PARIS, June 25, 1954—7 p.m.

Polto 2155. Eyes only for the Secretary and Stassen; for Merchant, Waugh, Anderson (Commerce) and Hensel (Defense).

1. I have been fully briefed on character and outcome of trilateral EWT talks just concluded Paris, as well as on extensive "postmortem" conversation between U.S. and U.K. CG Dels.

2. U.K. Del came into these talks, as had been urged by Stassen and USDel, with a negotiating brief very flexible in comparison with previous U.K. positions. U.K. CG Del has said privately that

full scope of U.K. brief was "nowhere near disclosed" during talks; and, if necessary, he would urge on London "a settlement going appreciably beyond his present instructions".

3. On other hand, USDel came to talks with very rigid instructions which represented only marginal departures from most recent U.S. positions stated in COCOM (indeed, in some cases significant departures in a direction tending away from any possibility of compromise).

4. French position stated in talks was mostly repetition of previously stated French views on individual items; but Charpentier told Harpham and Loftus privately that in interest of Western unity he would undertake obtain French concurrence for any negotiated settlement U.S. and U.K. could work out.

5. I appreciate that decision to issue such rigid instructions to USDel was taken, at least in general terms, by NSC; and that adoption of a "tough line" with respect to residual disagreed items (many of which are genuinely "hard core") has much to be said for it in terms of both security considerations and political considerations.

6. Nevertheless these problems must be assessed in perspective with other (and I think more important) matters at issue between U.S. and U.K. Govts. Major U.S./U.K. rift over EWT policy could be harmful in itself and prejudicial these other issues.

7. U.S./U.K. agreement cannot be achieved by ultimatum. Complete U.K. capitulation (i.e., acceptance of U.S. ultimatum for solution remaining disagreements entirely on U.S. terms) is impossible; U.K. action on transaction controls over presently agreed list plus all disagreed embargo items is impossible. Equally, U.S. capitulation (i.e., acceptance of degree of decontrol thus far agreed but without U.K. action on transaction controls) is impossible.

8. Given these imperatives, we seem to be heading for failure at July 8–9 CG meeting. No matter how inability to achieve agreement at CG might be glossed over the U.S./U.K. rift will be evident with resultant demoralizing impact on COCOM itself which is already shaken by its failures achieve agreement in important fields of shipping controls and transit shipments. The disposition toward cooperative action on EWT matters, already at a low ebb, will be still further impaired.

9. The only constructive action it appears possible to take is to enter into a genuine negotiation with the U.K. designed to eliminate, or almost eliminate, area of disagreement at lowest price that would have to be paid in terms of security considerations. Such a negotiation, however, unlike the one just concluded here, would have to be a real negotiation, i.e. with some flexibility in U.S. position and some readiness accept for decontrol some of those items

which are "hard core" from U.K. point of view (in sense that continued embargo of them carries too high a political price in the U.K.).

10. I recognize that willingness to negotiate with some "give" on our part involves taking still further calculated risks on the security side. But, if we are unwilling so to negotiate, we take a grave risk both of major U.S./U.K. dissension and of disintegration of existing cooperative apparatus (CG–COCOM) in this field. With respect to former I understand that we went into this list reduction exercise on premise that U.S./U.K. solidarity and joint leadership in this field must be maintained at any reasonable cost; and that this position was laid down by the President himself. With respect to latter risk, if cooperative effort in security trade control field breaks down, we may find our security objectives far less well served in the long run than they would be by some present compromise.

11. As for the form and level of U.S./U.K. negotiation, if it is undertaken, without doubt quickest and most authoritative forum would be a face-to-face negotiation between Stassen and Thorneycroft. This, however, has disadvantage that it cannot be done without attracting public attention, and therefore without high-lighting fact that it is a U.S./U.K. rather than trilateral negotiation.

12. A better alternative would be to have negotiation conducted by U.S. and U.K. CG Dels in Paris. This would be inconspicuous and already has Charpentier's prior assent to French non-participation. Any significant disagreement which remained could, on a last-minute basis, be referred to Ministers for resolution.

13. If this latter course is adopted, however, it will be necessary to issue quickly to USDel instructions which will be definite and clear yet sufficiently broad and flexible to permit desire outcome. USDel will forward specific procedural suggestions if negotiation is undertaken.

14. This urgent recommendation is, of course, without prejudice to possibility, as hinted in last Stassen letter,[1] that U.S. might, for overriding reasons related to Indochina situation, refuse assent in CG to present decontrol of any items on International Lists. Irrespective of whether U.S. feels compelled take such position at CG, we should seek sensible compromise of existing U.S./U.K. disagreement over content of a shortened control list to be put into effect either now or subsequently.[2]

HUGHES

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[1] *Supra.*

[2] Despite the fact that Special Representative Hughes found the prospect of discussions between Governor Stassen and Thorneycroft to be the less favorable of the

Continued

S/S-NSC files, lot 63 D 351, NSC 152 Series

Paper Approved by the Executive Committee of the Economic Defense Advisory Committee for Transmission to the National Security Council

SECRET [WASHINGTON,] June 30, 1954.

EAST-WEST TRADE CONTROLS

PROBLEM

To establish the U.S. position on the following questions in discussions with the British (Thorneycroft) here July 2–3:

a. Should the U.S. object to, or concur with, prompt decontrol of items agreed for deletion from the International Lists, notwithstanding (1) the current Indo-China situation, and (2) present lack of agreement on certain important enforcement improvements—i.e., transaction and transshipment controls?

b. Should the U.S. hold firm to its positions on the 80-odd items disagreed with the U.K. and/or other member governments or negotiate a compromise with the U.K. for subsequent negotiation with other member countries?

BACKGROUND

As the result of COCOM negotiations in Paris, 178 items have been agreed for embargo or other control, about 220 items (or parts of items) have so far been agreed for deletion under the current criteria, 18 new items have been agreed for addition to the embargo list, and 80 items remain disagreed, with the U.K. opposing the U.S. position in the case of most of those items. Trilateral discussions in Paris June 21–23, pursuant to NSC–1157b,[1] failed to produce any definitive reduction in the area of disagreement. (There is a further group of disagreed ship items which represent a special and major problem COCOM-wise but on which the U.S. and U.K. are now in basic agreement on a compromise basis.)

The U.K., and most other governments, are anxious for prompt decontrol of all the items agreed for deletion. In bilateral ex-

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two alternatives, the Department of State notified the Embassy in Paris in Topol 1635, June 29, 1954, that a meeting between the two had been scheduled in Washington for July 2–3, and instructed Loftus, the head of the U.S. CG Delegation, to make this known to the French Government. (460.509/6–2554) Regarding the French reaction to the Stassen–Thorneycroft talks, see the editorial note, p. 1225.

[1] NSC Action No. 1157 is the directive issued pursuant to agenda item 1 by the NSC at its meeting of June 17, 1954. For the memorandum of discussion at that meeting, see p. 1197.

changes with the U.K., the U.S. in accordance with NSC action has recently stressed the undesirability of decontrol at this time in view of the Indo-China situation. At the ministerial level, the U.K. has strongly reiterated the desire for decontrol and stated there is no overriding connection between that question and the Indo-China situation. Although the U.S. has stressed the close interrelationship between list reduction and improved enforcement—particularly transaction and transshipment controls—it has not yet specifically claimed decontrol should be conditional on improved enforcement.

The U.K. has declared its willingness to adopt transaction controls if (1) the embargo list is reduced to a satisfactorily "short" list, and (2) other governments adopt satisfactory transshipment controls. As the result of extended COCOM discussions on transshipment controls, all governments except France are willing to accept a certain transaction control system ("TAC" Scheme) but France is willing to accept it only if coupled with a supplementary identification procedure ("R" Plan). The U.K. and several others are unwilling to accept the supplementary procedure. Thus, there is an impasse on enforcement controls.

POSSIBLE COURSES OF ACTION

a. On the decontrol issue, the following possible courses of action are available:

1. Oppose decontrol of agreed deletion items for the time being. (This will probably result in delaying further progress on improved enforcement procedures.)
2. Concur in prompt decontrol of agreed deletion items, provided transaction and transshipment controls are fully agreed for implementation within the near future.
3. Concur in prompt decontrol, on the understanding that active study of transaction and transshipment controls will continue, with the view of producing earliest possible solution.

b. On the disagreed-items issue, the following courses of action are available:

1. Adhere to the last-established U.S. positions (NSC 1157-b) on all the disagreed items and urge the U.K. to yield on security grounds, recognizing that the reductions already agreed represent substantial concessions to the U.K. position in the interests of unity.
2. Seek to negotiate—on a political basis—a compromise which, while retaining the U.S. position on selected items [to which the U. S. attaches greatest relative importance],[2] may result in:

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[2] Brackets in the source text.

a. Quantitative, rather than embargo, control for other disagreed items; and/or

b. Balanced concessions on the remaining disagreed items, as may be needed to resolve all the disagreed items.

3. Seek disclosure of the U.K. rock-bottom position and, after very prompt review and appraisal, determine whether it can be accepted as over-all compromise, as submitted or with a limited number of negotiated changes.

4. Strive for a moratorium on the disagreed items whereby the present control level on these items would be maintained for a period of four to six months at the end of which the problem would be reviewed in the light of the situation then prevailing.

Recommendation: Alternative 3 should be attempted and, if unsuccessful, alternative 4 should be followed. As a last resort alternative 2 should be accepted.

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 205th Meeting of the National Security Council on Thursday, July 1, 1954 [1]

TOP SECRET EYES ONLY

Present at the 205th meeting of the Council were the following: The President of the United States, presiding; the Vice President of the United States; the Secretary of State; the Secretary of Defense; the Director, Foreign Operations Administration; and the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Attorney General (Items 1–4); the Secretary of Commerce (Item 5); the Director, Bureau of the Budget; the Chairman, Atomic Energy Commission (Items 1–4); the Federal Civil Defense Administrator (Items 1–4); the Chairman, Council of Economic Advisers (Item 4). Present for Item 1 only were the Acting Secretary of the Army; the Secretary of the Navy; the Acting Secretary of the Air Force; Assistant Secretary of Defense Quarles; the Chief of Staff, U.S. Army; the Chief of Naval Operations; the Chief of Staff, U.S. Air Force; the Commandant, U.S. Marine Corps; Mr. Robert C. Sprague, NSC Consultant; the NSC Representative on Internal Security; Messrs. Walters and Hall, NSC Special Staff; Lt. Col. George P. Curtin, USA; Lt. Col. William S. Fultz, USA; Lt. Col. James Bothwell, USAF; Lt. Col. George R. Doerr, USAF; Capt. Thomas P. Wilson, USN; and Capt. Edward E. Grimm, USN. Others present at the meeting were Assistant Secretary of Commerce Anderson (Item 5); the Chairman, Joint Chiefs of Staff;

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[1] This memorandum of discussion was prepared on July 2 by Deputy Executive Secretary of the National Security Council Gleason.

Robert R. Bowie, Department of State; Elbert P. Tuttle, Department of the Treasury; the Director of Central Intelligence; the Assistant to the President; Robert Cutler, Special Assistant to the President; the Deputy Assistant to the President; the Naval Aide to the President; the White House Staff Secretary; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

There follows a summary of the discussion at the meeting and the main points taken.

[Here follows discussion concerning continental defense, significant world developments affecting United States security, the President's conversations with Prime Minister Churchill during the latter's visit, and tentative guidelines under NSC 162/2 for fiscal year 1956.]

5. *East-West Trade Controls* (NSC Action No. 1157 [2])

Governor Stassen orally summarized the problem which was set forth in the written report [3] which was distributed to the members of the Council at this point. The essence of the problem, as he saw it, was whether, for political reasons, the United States was prepared to make further sacrifices in the list of strategic items. He said that by and large he favored the third alternative course of action, which was "seek disclosure of the UK rock-bottom position and, after very prompt review and appraisal, determine whether it can be accepted as over-all compromise, as submitted, or with a limited number of negotiated changes."

The President said that he might just as well sit back and listen to what the members of the Council had to say on these problems of East-West trade because, as the members of the Council well knew, he thought they were all wrong on the subject.

Secretary Weeks said that it was the virtually unanimous opinion on all levels, technical and up, that the United States ought not to yield to the British with regard to the 80 disagreed items for inclusion on the International Control Lists. He wanted to point out, in the first place, that if we did yield now to the British, we would in effect have dismantled the whole export control system. Secondly, if we did, Japan and other nations would at once desire to open up trade in strategic items with Communist China. Accordingly, Secretary Weeks said he felt very strongly that the UK was going too far and too fast. No one, he said, in this room was more anxious than the Secretary of Commerce to increase world trade, but not at the cost of national security.

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[2] NSC Action No. 1157 is the directive issued pursuant to agenda item 1 by the NSC at its meeting of June 17. See the memorandum of discussion, p. 1197.

[3] *Supra.*

Turning to Secretary Weeks, the President said, answer me this question: What *are* we going to do about Japan? If you forbid them to trade with Communist China and if you will not admit their products to the United States, or if you do not find some other way out for them, they will slip into Communism.

Secretary Wilson said that he was a free trader too, and had always been one, but to give in to the British right now would simply be another important Communist victory. For, after all, the Communist nations will buy from the West only those articles which will develop their war potential. Certainly we should not make a move until we see the outcome in Indochina. Secretary Wilson was therefore in favor of holding the line on the 80 disagreed items against the British.

Secretary Humphrey expressed agreement with Secretary Wilson, but the President said that to his way of thinking, barring trade was just about as silly as censorship. Secretary Weeks reminded the President that in talking about the 80 items we were talking about precisely those items which would help the Russians make war if they chose to do so.

Secretary Dulles said that we might as well face the fact that we will not be able very long to hold the dike against the flood of nations who wish to extend their trade with the Communist nations. The British and the rest were ultimately going to trade with the Soviet bloc. We have, however, a kind of temporary veto power over the British, thanks to our "recent love feast" and the British desire not to shatter it too rapidly. Accordingly, and in view of this brief trading position which we have, Secretary Dulles expressed himself as favoring the fourth alternative, which was to strive for a moratorium on the 80 disagreed items for a period of some months, after which the problem would be reviewed. This would at least prevent action until the Indochina situation was clarified.

The President said that maybe he just had a soldier's abhorrence of issuing orders which he couldn't enforce. Let us therefore at least enforce what we agree with the United Kingdom to be genuinely strategic. The President said that he would fight the British to the death to keep electronic equipment on the embargo list, but in any event let us pare this strategic list down to its fundamentals.

Governor Stassen then inquired about the precise timing. The British would want to know what we meant by a suitable interval. Do we implement the new lists as soon as a cease-fire is arranged in Indochina? Secretary Dulles answered that if we acted before the achievement at least of a cease-fire, it would be taken to indicate the end of the West's will to resist. He was pretty sure that

Sir Winston and Mr. Eden would overrule Thorneycroft if he tried the new system prior to the cease-fire.

Secretary Weeks, turning to the President and reminding him that he would hold out to the bitter end on the truly important strategic items such as electronics, assured the President that the remaining 86 disagreed items were every one of them hard-core items of great strategic significance.

Secretary Wilson said that once we had got a peace in Indochina, he'd be willing to see the whole embargo program go by the board. It would be a serious mistake, however, to scuttle the system before a settlement had been reached in Indochina.

The National Security Council:

a. Discussed a report on the subject, dated June 30, 1954, presented at the meeting by the Director, Foreign Operations Administration.

b. Agreed that the United States should oppose decontrol, for the time being, of items agreed for deletion from the International Lists.

c. Agreed that the United States should strive for a moratorium as to the items disagreed for inclusion on the International Lists, whereby the present control level on these items would be maintained for a period of four to six months, at the end of which period the problem would be reviewed in the light of the situation then prevailing.

Note: The actions in b and c above, as approved by the President, subsequently transmitted to the Director, Foreign Operations Administration.

Eisenhower Library, White House Central files, Confidential file

Memorandum by the Director of the Office of Defense Mobilization (Flemming) to the President

SECRET WASHINGTON, July 6, 1954.

Subject: Additional Criterion for Determining Long Term Mineral Stockpile Objectives

Since receipt of your directive to me of April 14, 1954,[1] regarding the establishment of long term mineral stockpile objectives, we have been reviewing the stockpile objective to ascertain the affects of the criteria contained in your basic directive. In addition, with the assistance of our interdepartmental advisory committees, we are proceeding to officially establish long term objectives for the metals and minerals.

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[1] *Ante*, p. 1145.

My experience with the various assumptions that are involved in the calculation of the stockpile objectives has led me to the conclusion that a general "safety factor" should be included in our basic criteria, and I wish to suggest the adoption of the following additional criterion:

When it is determined that a material is strategic and critical and should be stockpiled under the Stock Piling Act, the long term stockpile objective in no case should be less than one year's normal U.S. use of the material.

The adoption of this rule will, in certain few instances where present procedures would result in smaller objectives, provide sufficient material to meet any unforeseeable contingencies such as destruction of major ports, destruction or disruption of internal U.S. transportation, loss of key facilities through atomic attack, or development of new requirements by the Department of Defense or the Atomic Energy Commission.

A review of the metals and minerals presently being stockpiled indicates that only three would be subject to upward revision as follows:

Material	*Present Minimum Objective*	*One Year's Normal Use*
Antimony	21,000 tons	38,000 tons
Lead	700,000 tons	1,200,000 tons
Zinc	740,000 tons	1,100,000 tons

Present criteria for determination of long term objectives result in relatively small objectives for these materials since the U.S. supply comes almost entirely from the U.S., Canada, and Mexico (all of which are considered readily accessible).

Adoption of the above long term objectives for antimony, lead, and zinc would leave room for future procurement of about the following quantities of materials:

Antimony	19,000 tons
Lead	450,000 tons
Zinc	310,000 tons

ARTHUR S. FLEMMING

P.S. This is the matter that I discussed previously with you in your office on Thursday. If you react favorably to the idea, I am attaching to this memorandum a proposed memorandum from you to me.[2]

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[2] Not printed. President Eisenhower signed the memorandum under reference on July 15, thereby assenting to Flemming's proposal.

460.509/7-754: Telegram

The Secretary of State to the Embassy in France [1]

SECRET PRIORITY WASHINGTON, July 7, 1954—7:13 p.m.

Topol 21. Excon. Reference Circular Telegram 6 [2] for information Missions only, following agreed minute generally summarizes results Stassen-Thorneycroft meeting July 3-7.

1. "*Peel-off*. Determination as to when agreed list reductions (deletions, downgradings, re-definitions) should be implemented has been deferred in view US position (A) on relationship this question to clarification Indo-China situation, and (B) on absence final agreement in COCOM on improved enforcement measures. Immediately before Consultative Group meeting now scheduled for July 19, the two governments will consult on ministerial level concerning this problem in light situation then prevailing with view to fixing definite date for 'Peel-off' to be proposed to CG. When list reductions are implemented, procedures will be instituted or retained, as far as practicable, which are designed to minimize transshipments to China.
2. *Peel-on*. New items agreed for addition to lists should be so added prior to or simultaneously with removal of those items agreed for deletion.
3. *Improved Enforcement*. Improved enforcement is recognized to be an essential objective of readjustment of control system. UK would establish 'transaction' controls for all items retained under embargo (including munitions and atomic energy items) as soon as administratively possible after initial implementation of 'Peel-off'. Prior to that, both governments would attempt insure that undertakings had by that time been received from other COCOM countries to implement, or assurances that they were prepared to implement, satisfactory transshipment controls. The two governments would jointly discuss with French Government methods to be adopted to introduce satisfactory transshipment procedure. In absence assurance of satisfactory transshipment controls, the two governments would consult further with reference to transaction control question.

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[1] Repeated to London, Athens, Ankara, Lisbon, Rome, Oslo, The Hague, Brussels, Copenhagen, Tokyo, Ottawa, and Bonn.

[2] Not printed; dated July 2, it authorized the U.S. representatives in the countries to which it was sent (all of the major European countries, Japan, and Canada) to inform the respective governments that Thorneycroft was invited by the President in the hope that the ensuing discussions would facilitate decisions in the forthcoming CG meetings. (460.509/7-254)

4. *Disagreed Items (except ships).* The two governments agree to seek resolution of items not yet settled in COCOM on basis shown in Annex A hereto, and will jointly support it in negotiations with other member governments.

5. *Ships.* Both governments will continue actively to seek other member governments' support of compromise shipping plan which is now before COCOM, including 150,000-ton quota for merchant vessels, 15-knot speed specification, etc. UK Government considers that to reach agreement some compromise may be required. They propose for consideration by US Government raising global quota to 200,000 tons and increase of permitted speed to 16 knots.

6. *Quantitative Control and Surveillance Techniques.* The question of what kinds of 'quantitative control' and 'surveillance' techniques should be used hereafter remains to be explores. In general, it is expected that efforts would be made towards simplifications of quantitative control techniques; some items may require be subjected to stricter quantitative control than others because of degree strategic importance as developed in item discussions; and surveillance techniques should be reviewed with object of increasing their effectiveness. Since existing quantitative control arrangements would be applicable to some of items now envisaged for quantitative control, an effort should be made to develop interim arrangements for those items pending development and implementation of any changes in quantitative control techniques.

7. *Publicity.* The two governments will consider degree of publicity to be given to reductions in controls. Any public announcement or discussion concerning revised control system will stress fact that revisions are intended provide tighter and more enforceable control system responsive to requirements of current world situation, and include not only relaxation of controls over certain commodities but also increase of controls over other commodities and agreement on a more stringent system of enforcement. The two governments should seek general agreement by other member governments along above lines.

With respect to informing other governments of results these talks, following was agreed:

1. *France:* When final US–UK position established French will be notified of its details through joint approach by US and UK resident delegates in Paris. Before this joint approach, either government may inform French in general terms of progress these talks, stressing however that all results are tentative pending final government approval.

2. *Other Member Governments:* As soon as joint approach to French has been made, other member governments may be informed in general terms of results these talks. Prior to that time if inquiries are made by other governments, they may be told these talks produced some tentative possible resolutions of outstanding difficulties and those are undergoing governmental review. It is expected this review will be concluded shortly after which suggestions will be laid before other governments for their consideration. Plans for subsequent official presentation in COCOM or CG and for

any related approaches through diplomatic channels will be developed later at official level."

Regarding paragraph 3 foregoing minute UK indicated would institute transaction controls at time short list is implemented if US feels strongly such unilateral action advantageous. Both governments agreed preferable use lack UK transaction controls as lever force other governments institute transit controls and all possible efforts should be made in order obtain complete enforcement package by date deletion implemented. This agreement should, of course, remain secret between US-UK.

Of disagreed items discussed during talks rolling mills only item not agreed for disposition. UK accepted US proposal postpone decision on mills until December. In interim US-UK intelligence and technical review with assistance intelligence services other interested PC's would explore justification for continuation item under embargo. Of remaining previously disagreed items only 6 deleted, others disposed of on compromise basis as between embargo, QC and watch lists with final count over 40 items going on embargo.

If questioned on meeting by other governments, missions should confine comments to press statement (text transmitted wireless file July 7). Should suggest more detailed comments can be obtained if desired USRO/Paris and Washington.

DULLES

Editorial Note

As a result of carrying out the Department of State's instructions to inform the French Government of the imminent Stassen-Thorneycroft discussions, it became clear to the American Embassy in Paris, as reported in Poltos 7 and 8, July 1 and 2, 1954, respectively, neither printed, that the responsible French officials were "visibly displeased" at having been excluded. (460.509/7-154 and 7-254) It was accordingly decided that Governor Stassen should proceed to Paris at the conclusion of his talks with Thorneycroft to discuss bilaterally with the French, Germans, Italians, and Japanese the issues that the United States and the United Kingdom had been attempting to resolve. He arrived in Paris on July 12, attained basic agreement on most issues with the representatives of each country, and then departed for London on July 14, where he conferred once again with Thorneycroft. Reports on Governor Stassen's conversations with the French, Germans, Italians, and Japanese were transmitted to the Department of State in Poltos 82, 83, 84, and 85 from Paris, July 13, none printed. (460.509/7-1354)

S/S-NSC files, lot 63 D 351, NSC 5417 Series

Paper Prepared by the Planning Board of the National Security Council[1]

SECRET [WASHINGTON, July 9, 1954.]
NSC 5417/2

DRAFT STATEMENT OF POLICY PROPOSED BY THE NATIONAL SECURITY COUNCIL ON U.S. RUBBER POLICY

1. The following possible courses of action listed in par. 3 of NSC 5417/1[2] are not feasible at this time:

Course A—"Bartering agricultural surpluses for rubber."

Course B—"Direct purchase of rubber, possibly as a result of an increased stockpile objective based upon a revision of the current ratio of natural to synthetic rubber contemplated for wartime use."

Course E—"Persuading U.S. rubber companies to increase the percentage of natural rubber currently used in making tires, in order to increase the demand for natural rubber."

2. The following courses of action along the lines of those listed in par. 3 of NSC 5417/1 are approved in principle as offering a limited contribution toward the solution of the rubber problem in Southeast Asia (particularly Indonesia), subject to the development by the Operations Coordinating Board of a feasible, integrated program and report to the Council with estimates of the general magnitude of the cost.

Course C—Extending grants of surplus agricultural commodities, the proceeds from the sale thereof to be used to improve the production and marketing of natural rubber.

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[1] In addition to the statement of policy printed here, NSC 5417/2 consists of a cover sheet, a memorandum by Lay to the NSC noting that the preparation of the statement was carried out pursuant to the NSC directive issued at its Apr. 29 meeting (see p. 1153), a table of contents, and a report by the Special Rubber Committee constituted by the NSC Planning Board to study the alternatives presented in this paper. The report consists of a summary of the Committee's activities; papers presented for the Committee's consideration on alternatives A through E by the Department of Commerce, the Office of Defense Mobilization, the Foreign Operations Administration, the FOA and the Department of the Treasury jointly, and the Department of Commerce and Reconstruction Finance Corporation jointly, respectively; a press release on the International Rubber Group; and five papers, not discussed by the Committee but submitted for information purposes, by various executive agencies. Originally intended for submission to the NSC on July 1, 1954, the statement of policy was revised from an earlier version, dated June 18, to the version printed here by the NSC Planning Board on July 9. For the action of the NSC on the statement of policy, see the memorandum of discussion at the meeting of July 15, *infra*.

[2] Dated Apr. 30, p. 1157.

Course D—Extending grant assistance or long-term loans, where feasible in association with other countries, to improve the production and marketing of natural rubber.

3. The United States should consider how, as proposed in par. 31 of NSC 5422,[3] Asian regional economic cooperation may contribute to the solution of the rubber problem.

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[3] For documentation concerning NSC 5422, see volume XII, Part 1.

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 206th Meeting of the National Security Council on Tuesday, July 15, 1954 [1]

TOP SECRET EYES ONLY

Present at the 206th Meeting of the Council were The President of the United States, presiding; the Vice President of the United States; the Secretary of State (for Item 2 only); the Under Secretary of State (Items 1 and 3–7); Robert B. Anderson for the Secretary of Defense; the Acting Director, Foreign Operations Administration; the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Attorney General (Item 1); the Acting Secretary of the Interior (Item 4); the Secretary of Commerce (Item 1); Under Secretary of Commerce Worthy (Item 1); Assistant Secretary of Commerce Anderson (Item 3); the Director, Bureau of the Budget; the Director, Federal Bureau of Investigation (Item 1); the Administrator, Federal Facilities Corporation (Item 3); the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; the Assistant to the President; the Deputy Assistant to the President; the White House Staff Secretary; the NSC Representative on Internal Security (Item 1); the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

Following is a summary of the discussion at the meeting and the main points taken.

[Here follows discussion on restricting diplomatic and official representatives of Soviet bloc countries in the United States in connection with strategic intelligence and a report by the Secretary of State on developments in Europe and Indochina.]

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[1] The memorandum of discussion was prepared on July 16 by Deputy Executive Secretary of the National Security Council Gleason.

3. U.S. Rubber Policy (NSC 5417/2; NSC Action No. 1097; Memo for All Holders of NSC 5417/2, dated July 9, 1954 [2])

Mr. Laurence Robbins, Assistant Secretary of Commerce Anderson, and Acting Secretary of the Interior Tudor, joined the Council, and Mr. Lay briefed the members on the background of the policy statement. At the conclusion of Mr. Lay's briefing, the President inquired whether rubber was raised in all the islands of the Indonesian Archipelago. Mr. Lay replied in the affirmative, but pointed out that nearly all of this rubber was grown by small holders and was of exceedingly poor quality. The President observed that it seemed to him a first-rate idea to sell rubber of low quality to Communist China. Secretary Anderson pointed out that a 6000-ton, shipment of Indonesian rubber was about to go to Communist China. The President commented that it would be best to "turn our blind side to it".

Secretary Humphrey pointed out the importance of realizing that the Soviet bloc nations had been getting rubber, and particularly copper, in very considerable quantities over the last 90 days.

The President indicated concern over the shipment of copper, and said that if the United States were really waging economic warfare the way he thought it ought to be waged, we would find the money to buy up any copper which was about to be sold to the Soviet bloc. Secretary Humphrey added that it had been very difficult to trace the origin of the copper shipments, but they were certainly going behind the Iron Curtain and the probable origin was Latin America.

Secretary Humphrey inquired of Mr. Robbins as to the probable date when the Government would have sold its synthetic rubber plants. Mr. Robbins replied that unless there were some objection in Congress, the Government would be out of the rubber business by April 1955.

The National Security Council:

Adopted the statement of policy contained in NSC 5417/2.

Note: NSC 5417/2 approved by the President and referred to the Operations Coordinating Board as the coordinating agency designated by the President.[3]

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[2] NSC 5417/2, *supra.* NSC Action No. 1097 was the directive on rubber policy issued by the NSC at its meeting of Apr. 29, 1954; see the memorandum of discussion, p. 1153. The memorandum of July 9 transmitted the revised version of NSC 5417/2 to the members of the NSC.

[3] As the implementing agency for NSC 5417/2, the OCB submitted to the NSC on Sept. 24, 1954, a plan, subsequently designated as NSC 5417/3, to use both alternatives C and D to encourage the production and marketing of natural rubber by small producers in Indonesia. When the NSC considered the plan at its meeting of

Continued

[Here follows discussion concerning Antarctica, United States policy on Berlin, significant world developments affecting United States security, and the NSC status of projects.]

Oct. 14, 1954, Secretary of the Treasury Humphrey expressed strong opposition in principle. Although the NSC approved the plan, its approval was contingent on a determination by Secretary Humphrey that the plan would not damage the sale of U.S. Government-owned synthetic rubber plants. When at the NSC meeting of Dec. 9 Secretary Humphrey reported that such damage would indeed be sustained, the NSC agreed to postpone for six months the implementation of the OCB plan.

460.509/7-1654: Telegram

The Ambassador in the United Kingdom (Aldrich) to the Department of State[1]

SECRET PRIORITY LONDON, July 16, 1954—2 p.m.

287. Excon.

1. Thorneycroft-Stassen discussion today indicates no US-UK list differences. Anticipation shipping agreement 150,007 tons might be reached with fixed quotas to prevent Soviet bargaining for price advantages, although British concerned that Danes and Dutch may be seeking larger share than their competitive position would justify. Stassen mentioned Danes had invited him to lunch today. He reported talks with French and Germans re TAC and enforcement and expect all PC's will move forward as quickly as possible for at least trial period with subsequent review to consider results experienced this period.

2. Thorneycroft emphasized timing most difficult problem from UK standpoint as he must make statement in House by July 29 at very latest. Stassen pointed out if cease-fire in Indochina, early peel-off easily decided, perhaps in August. However, if serious situation continues, timing would be most unfortunate. US position is not to oppose peel-off indefinitely merely because continuing Indochina fighting, but would certainly oppose at time, e.g., of critical fighting in Red River delta. Thorneycroft said if no cease-fire UK may wish make further limited proposals before end July to offset business pressure.

3. Discussion reaffirmed plan to trilateral morning 19th in Paris and peel-off question to be raised in CG on 20th, thus allowing time to consider Geneva action and permit further discussions with other delegates on the 19th. If agreement on timing not reached in CG, proposals will be made for subsequent early meeting, possibly July 24, for further study depending on existing circumstances in

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[1] Repeated to Paris.

Indochina. Meeting might be either CG or COCOM working under delegated authority to reach decision on peel-off if Indochina situation changed.

4. *Comment:* Thorneycroft appears quite willing to wait until 20th for decision on timing, but obvious that if Geneva situation continues unresolved, British likely to advance other proposals to permit statement with positive substance by July 29 in House of Commons.

ALDRICH

460.509/7-1654: Telegram

The Secretary of State to the Embassy in the United Kingdom [1]

SECRET NIACT WASHINGTON, July 16, 1954—4:30 p.m.

327. Excon. For Stassen from Dulles. Regarding timing for implementing decontrol items in my view the situation upon which the NSC decision was based remains the same. I believe that actual decontrol should be deferred and that the situation at Geneva is such that we can set no definite future date. Recognize British may react strongly against our position but we would be subject here to heavy criticism if we make concessions on this issue prior to a definitive result at Geneva. This would appear to be giving away our trump card before the game had started. If you feel our position will result in serious breach with British in CG meeting we can discuss matter further on your return.

DULLES

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[1] This telegram, drafted by Goodkind and cleared by Roderic O'Connor, was repeated to Paris.

460.509/7-2254: Telegram

The United States Special Representative in Europe (Hughes) to the Department of State [1]

SECRET PARIS, July 22, 1954—7 p.m.

Polto 132. Subject: CG Meeting—Appraisal of Results. CG meeting just concluded (Polto 118 to Washington rptd London 33, pouched other posts [2]) marked important milestone in brief history economic defense program. Controls of strategic trade to the European Soviet bloc can now be considered to be basically adjusted for "long haul" ahead. Enforcement agreements still require implementation and U.S. undoubtedly will wish eventually propose further strengthening; but International Lists should remain relatively stable so long as no major change occurs in international situation. While U.S. did not obtain all that it desired in the various conferences and meetings beginning with London bilateral in November and generally concluding with this CG, in opinion USDel overall control objectives of U.S. were substantially met and, at least equally as important, the voluntary informal multilateral control system (which, with dimunition U.S. aid and growing domestic pressures favoring increased trade, now depends for survival almost entirely upon conviction all participants that trade sacrifices entailed are strategically justified) was maintained and perhaps even strengthened. Previous refusals of U.S. to adjust position in CG/COCOM to conform with what other PCs considered realities of situation had gradually built up reservoir of ill will which lately had been in state of almost continuous overflow. As result of what others considered "U.S. inflexibility" on relatively minor matters PCs had generally been going, or threatening to go, own ways on items of particular interest to them, e.g., Italians on ball bearings; Danes-Dutch on shipping; U.K. on machine tools. If this general tendency had continued, little doubt usefulness of COCOM would have been permanently impaired.

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[1] Repeated to Ankara, Athens, Bonn, Brussels, Copenhagen, The Hague, Lisbon, Oslo, Rome, Tokyo, London, Ottawa, Bern, Stockholm, and Vienna.

[2] Not printed; dated July 21, it reported on the decisions taken at the final session of the CG meeting, held July 19-21. (460.509/7-2154)

Only remaining major problem before COCOM—shipping impasse—is probably too far advanced to be satisfactorily resolved by U.S. attempts to invoke "new spirit" of COCOM. However, opportunity does exist when COCOM reconvenes restore U.S. prestige and regain U.S. leadership of organization by carefully evaluating future proposals and avoiding former tendency take "firm" positions which U.S. knew would eventually have to be modified. When an issue can be forcefully demonstrated as pertinent to bloc's war potential USDel believes COCOM remains receptive forum for presentation and cooperation can be expected; generalized statements however will have no more appreciative audience than previously.

Conduct individual PCs during CG meeting illustrative their "wait and see" attitude towards U.S. leadership. Only Canada actively supported U.S. positions across the board. U.K. proferred highly restrained support on issues firmly and explicitly agreed in advance and opposed U.S. on others. France followed approximately same course in more involved manner. Italy spoke up on two occasions in behalf of U.S.; Turkey quite helpful on issues on which informed. Other dels were generally silent with notable exception Danish who supported U.K. position when not engaged in initiating own attacks on U.S. Dutch also firm ally of U.K. Limited participation by majority dels might be attributable to variety of reasons: occasional concurrence with specific proposal; general unwillingness to get in middle between U.S. and disagreeing PC; and basic feeling whole course of meeting had been prearranged on tripartite basis leaving them to large extent as spectators except on matters of vital importance to them individually.

USDel hopes Washington seriously studying what future course of U.S. in this field should be. Separate cable outlines immediate problems as foreseen from here. Equally important is need to reappraise situation in light conclusions now agreed to and development of new approach to this problem designed insure increased cooperation among PCs.

HUGHES

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 207th Meeting of the National Security Council on Thursday, July 22, 1954[1]

TOP SECRET EYES ONLY

Present at the 207th meeting of the Council were the President of the United States, presiding; the Vice President of the United States; the Secretary of State; the Secretary of Defense; the Director, Foreign Operations Administration; and the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Director, Bureau of the Budget; the Chairman, Atomic Energy Commission (Item 2); the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; the Assistant to the President; Robert Cutler, Special Assistant to the President; the White House Staff Secretary; Bryce Harlow, Administrative Assistant to the President; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

There follows a summary of the discussion at the meeting and the main points taken.

[Here follows discussion of the possible use of ROK forces in Indochina, of the large ship reactor program, and of the disposition of material being diverted from Indochina.]

4. East-West Trade Controls (NSC Action No. 1170[2])

Mr. Cutler asked Governor Stassen to report briefly to the Council on the final phases of his negotiations in Paris with respect to the International Lists for export controls on strategic materials exported to the European Soviet bloc countries.

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[1] This memorandum of discussion was prepared on July 23 by Deputy Executive Secretary of the National Security Council Gleason.

[2] NSC Action No. 1170 was the directive issued by the NSC at its meeting of July 1, 1954, pursuant to agenda item 5; for the memorandum of discussion of that meeting, see p. 1218.

Governor Stassen stated that as a result of the talks here with the British over the 4th of July week-end, and the talks just completed in Paris, we had moved through the remainder of the International Lists. Of the items in question, the result had been that 43 items had been designated for embargo, 17 for quantitative control, 6 for decontrol, and 3 deferred pending further study. The three deferred items would remain embargoed until the issue came up for decision next December. Governor Stassen commented that the items described as most vital to the United States from the security point of view, in the NSC papers, had remained on the controlled lists. There was the additional advantage that agreement had been reached on transshipment and transaction controls. These latter were to be put on by the individual countries, but would be the subject of a subsequent general review.

Governor Stassen said that the revised lists would go into effect on August 16, 1954. These revised lists would consist of 176 items embargoed, 24 items designated for quantitative control, 55 items assigned to the watch list, and three items deferred but meanwhile embargoed. These three items were tinplate rolling mills, electric generators of a certain power, and strategic ball bearings.

With respect to shipping controls there had been no final word, but Governor Stassen expressed the opinion that we would have to yield to some degree with regard to the tonnage and the speed of vessels which the free world could build for the Soviet bloc.

The sum total of these negotiations, concluded Governor Stassen, was that we now have an 18-nation agreement with respect to the most significant strategic items. In addition, we have an 18-nation agreement with respect to transshipment and transaction controls.

When Governor Stassen had completed his report, Secretary Dulles complimented him on the manner in which he had conducted a very difficult series of negotiations. The results achieved had been much better than we had at one time believed possible.

The National Security Council:

Noted an oral report by the Director, Foreign Operations Administration, on the final results of the reexamination of the International Lists, which included the following major points:

a. All items considered by the U.S. to be in the highest priority were retained on the Lists.

b. Transshipment and transaction controls were agreed.

c. The new lists will go into effect on August 16, 1954, approximately as follows: 176 items on the embargo list; 24 items on the quantitative list; and 55 items on the watch list.

d. Deferred, pending further study, removal from the embargo list until December 1954 of tinplate rolling mills, electric generators of 10,000 to 60,000 KW, and ball bearings.

e. The U.S. agreed to yield to a small extent on the total tonnage and the speed limitations under shipping controls on a three-year basis.

[Here follows discussion of significant world developments affecting United States security.]

6. Coordination of Economic Warfare Activities

The President inquired whether there was anyone in the United States Government whose responsibility it was to undertake studies and to formulate plans for economic warfare. It seemed to him that there was no one in the entire Government whose job it was to figure out how to embarrass the enemy in this field. While Russia had been refusing to buy Asiatic natural rubber, China was buying it at twice the market price. The President said he could see no explanation of this except that it was designed to embarrass United States policy in the free Asian countries. Accordingly, we ourselves needed a man to think about this problem and nothing else.

Dr. Flemming expressed full concurrence with the President's view, and stated that the United States conducted its economic warfare activities on a "crisis basis" rather than in terms of an over-all strategy for economic warfare. Dr. Flemming's point was illustrated by several members of the Council, and the President again repeated his fear that "what was everybody's business, was nobody's." He said that what he had in mind was no plan that would deprive the existing agencies of their responsibility in this field, but an individual who would see to it that the agencies discharged their responsibilities. Mr. Cutler suggested that the Bureau of the Budget be asked to prepare recommendations to meet the President's point with regard to economic warfare.

Returning to the subject of the copper situation, Governor Stassen expressed the opinion that the alleged considerable movement on the copper market was deceptive. Secretary Humphrey, however, insisted, nevertheless, that there had been a very considerable movement in recent weeks. Mr. Allen Dulles said that such reports were not correct in so far as he could determine . . . . The probable explanation of the activity in the copper market was that several free world countries were at last beginning to build up more normal inventories of this metal.

. . . .

Admiral Radford did not reply to this point, but indicated that he had received a number of interesting reports with regard to Soviet bloc, and especially Polish flag, tankers in the Far East.

When all the reports were in, he proposed to summarize their content for the benefit of the Council. Meanwhile, Admiral Radford endorsed heartily the proposal for more effective prosecution by the Government of a program for economic warfare. Admiral Radford also adverted to the view of General Franco, who believed that if the United States undertook to supply the appropriate financial assistance it would be quite possible to build up markets in the free world for supplies and materials which were now perforce being sold by the free world to Soviet bloc countries. The President expressed the view that this was something which certainly should be studied as providing a possible way out of the dilemma of East-West trade.

The President then inquired why the United States did not do everything in its power to promote the sale of Middle East oil in Europe. Admiral Radford pointed out that 90% of Middle Eastern oil was already going to Europe and that the amount was increasing rapidly, an estimate confirmed by Mr. Allen Dulles.

The National Security Council:

Noted the President's request that the Bureau of the Budget study and prepare recommendations for Council consideration as to placing responsibility within the Executive Branch for coordinating all U.S. economic warfare activities.

Note: The action above subsequently transmitted to the Director, Bureau of the Budget.

[Here follows discussion concerning the United States objectives and policies with respect to the Near East, Iceland, and the Geneva Conference.]

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 210th Meeting of the National Security Council on Thursday, August 12, 1954 [1]

TOP SECRET EYES ONLY

Present at this meeting were The President of the United States, presiding; the Vice President of the United States; the Secretary of State; the Secretary of Defense; the Director, Foreign Operations Administration; and the Director, Office of Defense Mobilization. Also present were the Acting Secretary of the Treasury; the Secretary of Commerce (for Item 1); the Director, Bureau of the Budget; the Chairman, Atomic Energy Commission (for Item 4); the Secretary of the Army, the Secretary of the Navy, and the Secretary of the Air Force (for Items 5 and 6); General Twining for the Chairman, Joint Chiefs of Staff, the Chief of Staff, U.S. Army, Vice Admiral Gardner for the Chief of Naval Operations, and General Pate for the Commandant, U.S. Marine Corps (for Items 5 and 6); Robert R. Bowie, Department of State (for Items 1, 2 and 3); Marshall Smith, Department of Commerce (for Item 1); Walter S. Delany, Foreign Operations Administration (for Item 1); the Director of Cental Intelligence; the Assistant to the President; Robert Culter, Special Assistant to the President; the Executive Secretary, NSC; and the Coordinator, NSC Planning Board Assistants.

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[1] This memorandum of discussion was prepared on Aug. 13 by Deputy Executive Secretary of the National Security Council Gleason.

There follows a summary of the discussion at the meeting and the main points taken.

1. *Economic Defense Policy: U.S. Export Controls* (Progress Report, dated August 2, 1954, by the Secretary of Commerce on NSC 152/3,[2] pars. 21 and 23)

Mr. Cutler recalled that the Council, on June 17, had amended NSC 152/3 by adopting new paragraphs 21 and 23 (NSC Action No. 1158[3]). He read new paragraph 21 and summarized paragraph 23. He also recalled that Governor Stassen had orally reported to the Council, on July 22, on the final results of the reexamination of the International Lists (NSC Action No. 1181).[4] Governor Stassen's report had indicated that (1) all items considered by the U.S. to be in the highest priority were retained on the Lists; (2) transshipment and transaction controls were agreed; (3) the new Lists would go into effect on August 16; (4) removal from the Lists of certain items such as ball bearings was deferred until December 1954; and (5) the U.S. had yielded to a small extent on tonnage and speed limitations under shipping controls.

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[2] Not printed; 83 pages in length, it consists of a cover sheet, a letter by Secretary of Commerce Weeks to Cutler recommending that the NSC undertake a review of the implementation by the Department of Commerce of the directives issued in paragraphs 21 and 23 of NSC 152/3, a summary memorandum by Secretary Weeks describing the contents of the attachments, and 8 attachments as follows: (1) the texts of paragraphs 21 and 23 of NSC 152/3; (2) an extract of criteria governing the inclusion of items on the U.S. master export security list; (3) a list of items to be embargoed by the United States by virtue of their inclusion on the International Lists; (4) a list of items to be quantitatively controlled by the United States by virtue of their inclusion on the International Lists; (5) a list of items to be unilaterally embargoed or controlled by the United States on the grounds that the United States was the only producer of them; (6) a list of items to be unilaterally embargoed or controlled by the United States because of special political considerations; (7) a list of deletions from the former U.S. master export security lists; and (8) a draft proposed press release on the new export control program. (S/S–NSC files, lot 63 D 351, NSC 152 Series) For text of NSC 152/3, see p. 1207.

[3] NSC Action No. 1158 is the directive issued pursuant to agenda item 2 by the NSC at its meeting of June 17; see the memorandum of discussion, p. 1197.

[4] The reference here is to the summary which appears at the end of agenda item 4 of the NSC memorandum of discussion of July 22, *supra*.

Mr. Cutler indicated that since the date of Governor Stassen's report there had been some slight changes in the number of items on the various lists. The 176 items on the embargo list, as reported by Governor Stassen, had now become 167; the 24 items on the quantitative list had now become 23; and the 55 items on the watch list had become 62.

Mr. Cutler said that the purpose of the Progress Report now before the Council was threefold: First, to indicate the magnitude of the problem; second, to give the Council an opportunity to examine the actions proposed by Commerce in putting the new lists into effect; and third, to determine the nature of a public announcement on the subject.

Revised Attachments 5, 6 and 8 of the reference Progress Report by the Secretary of Commerce were then distributed (copies filed in the minutes of the meeting). Secretary Weeks said that he had presented this Progress Report because he thought the Council would want up-to-date information on the subject. Commerce was now prepared to deny or limit to the Soviet bloc commodities which COCOM agreed should be embargoed, the additional commodities for which U.S. unilateral control would be effective, and other commodities of special political significance in the U.S. Short-supply items or the export of technical data were not covered by the new lists.

Secretary Weeks said the Council might discuss the timing of the public announcement on this subject. Normally this announcement would be issued on August 16, but the Secretary understood that Governor Stassen had some qualms about this date. Governor Stassen said that if FOA appropriations were being debated in Congress on August 16, he would prefer to delay the public announcement on export controls until this debate was over. He feared that the new export control policy might be made the subject of demagogic speeches. Secretary Weeks agreed that the subject was one which easily lent itself to demagogic speeches.

The President agreed that issuance of a public announcement should be timed in the light of Congressional action on the mutual security bill. Referring to the proposed press release by Commerce (revised Attachment 8), the President noted that an important quotation by the Secretary of Commerce, to the effect that the new export control policy would benefit both U.S. business and friendly countries, was buried at the bottom of page 2. The President felt that a succinct but emphatic statement along these lines might become paragraph 1 of the press release. We should say that we have reviewed the International Lists to make certain we are not aiding the Soviet war-making ability and to be sure that we are increasing trade to benefit ourselves and the world. We might also say that stricter enforcement would be possible on the basis of a list of manageable length.

Secretary Dulles noted that the press release on page 2 referred to improving "even further the efficient system of enforcement". It was a question in his mind whether international enforcement had been effective in the past; therefore, he felt that it would be better to omit any mention of how efficient enforcement might have been.[5]

Secretary Wilson said that the new lists represented a great liberalization of our policy. He noted, however, that we still did not permit the Russians to purchase sabers from us. The President said he would be willing to give them sabers.

The President then remarked that he had never heard the pros and cons of export control policy exhaustively presented on a philosophical basis. He noted that the Russians were always trying to promote more trade.

Secretary Weeks said the Administration had scored a success in obtaining Trade Fair appropriations. The President said he hoped the exhibits for this Fair could be prepared without delay.

Governor Stassen said that he would issue a press release on changes in the Battle Act, and that he would coordinate his press release with the Commerce announcement.[6]

The National Security Council:

a. Noted the reference Progress Report on the subject by the Secretary of Commerce, including revisions of Attachments 5, 6 and 8 distributed at the meeting.

b. Discussed the proposed press release by the Secretary of Commerce in the revised Attachment 8, and agreed that:

> (1) It should be revised by the Secretary of Commerce in the light of the discussion at the meeting.
>
> (2) The date of its issuance should be coordinated by the Secretary of Commerce with the Director, Foreign Operations Administration, in relation to Congressional debate on the mutual security bill.

c. Noted that the Director, Foreign Operations Administration, would issue a coordinated press release on the changes in the Battle Act.

Note: The action in b above subsequently transmitted to the Secretary of Commerce, and the actions in b and c above transmitted to the Director, Foreign Operations Administration.

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[5] For the text of Secretary Weeks' press release, dated Aug. 26, see the Department of State *Bulletin*, Sept. 13, 1954, p. 373.

[6] For the text of Governor Stassen's press release, dated Aug. 25, see *ibid.*, pp. 372-377.

[Here follows discussion concerning a study of the anti-trust laws, significant world developments affecting United States security, cooperation with other nations in the peaceful uses of atomic energy, the redeployment of United States forces in Trieste, a review of United States policy in the Far East, and the National Security Council status of projects.]

S/S-NSC files, lot 63 D 351, NSC 152 Series

Report to the National Security Council by the Secretary of State and the Director of Foreign Operations (Stassen) [1]

SECRET WASHINGTON, August 30, 1954.

FIRST PROGRESS REPORT ON "UNITED STATES POLICY ON ECONOMIC DEFENSE," NSC 152/3 [2]

PREFACE

Prime Minister Churchill's dramatic Parliamentary statement on February 25, 1954,[3] stressing the value of healthy trade with the USSR and calling for a substantial relaxation of East-West trade controls, brought sharply into focus the conflicting views of participating countries concerning the nature and scope of a multilateral control program for the long pull ahead. These conflicting views and the pressures behind them account to a large extent for certain delays in implementing NSC 152/3.

Much time and effort were consumed within the United States Government, developing the United States machinery for implementation, seeking inter-agency agreement on United States positions, revising the attributes and standards for judging commodities and making a United States review of all commodity ratings. But even from the beginning, while all this reappraisal and reorganization was going on, it was apparent that a prime problem for the United States in implementing NSC 152/3 was to prevent the multilateral control effort from being relaxed too far.

The wide divergence in viewpoint between the United States and the United Kingdom, supported by strong public sentiment on either side, obviously could be damaging to Anglo-American relations and to the NATO coalition. The fact that continental views generally tended to correspond more closely with those of the United Kingdom than of the United States added to the difficulty of obtaining multilateral acceptance of the views of the United States in the economic defense field.

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[1] Attached to the source text, but not printed, were a cover sheet, a memorandum by Secretary Dulles and Governor Stassen to Lay requesting that the report be circulated to the members of the NSC, a table of contents, and three appendixes. Appendix I contained instructions by the CG to COCOM on the review of the International Lists. Appendix II was a brief narrative describing the negotiations on shipping controls. Appendix III listed the presidential determinations under the Battle Act.

[2] Dated June 18, p. 1207.

[3] Concerning this speech, see footnote 2, p. 1081.

The pressure abroad for relaxation arises in large part from an increased interest in expanding exports, particularly in view of the revival of Germany and Japan in international trade, the emergence generally of a buyer's market, plans for currency convertibility, the anticipated further reduction in United States aid programs in Europe, and the growing conviction that United States trade barriers to increased imports probably will not be substantially lowered in the near future. Domestic pressures in Western Europe for these countries to share in any increased trade with the Soviet bloc have become awkward to resist at governmental levels. Underlying these commercial interests is a deep-seated desire among the Western Europeans for a relaxation of present political tensions and a reluctance to be a party to any action which might appear to place obstacles in the way of this political relaxation. These pressures are further stimulated by the Soviet propaganda "peace offensive", the appearance over the last half of 1953 of an increased Soviet interest in imports of some consumer goods, and the intimation of limitless markets in the east for a wide range of export items. Also, concern over the state of the United States economy and uncertainty regarding future United States economic foreign policy have affected the attitudes of western countries toward the question of East-West trade.

REVISION OF UNITED STATES ECONOMIC DEFENSE POLICIES

NSC 152/3 revised and superseded the policies which had been in effect in the economic defense field since April 12, 1951 and which needed to be reviewed in the light of changed circumstances since that time.

The change from the previous policy is principally one of emphasis. More account is to be taken of economic and political impacts of strategic trade controls and conditions in participating countries. At the same time we are pressing for better enforcement of agreed controls. We are concentrating on commodities and services of major importance to the Soviet war potential and will not press for control of items of marginal strategic significance.

The policy assumes that we are faced with a long period of tension short of war, and that, regardless of gestures made by the Soviet bloc, the motives of the Communist countries are to be viewed with suspicion and skepticism. It is recognized, however, that the free world may derive some advantage from some East-West trade during this period of tension and watchfulness. Accordingly, the new policy restates United States approval of non-strategic trade between the free world and the Soviet bloc, but takes cognizance of the risks of excessive dependence of free world countries on Soviet markets for non-strategic goods and on Soviet sources of supply for essential commodities. Finally, the policy calls for maintenance of the present levels of controls on transactions with Communist China and North Korea, pending a political settlement in Korea and a review of basic policies toward Communist China and North Korea.

A program to implement the revised policy was formulated in the EDAC Executive Committee in September 1953. The major elements in the program include review and revision of the existing security criteria and of the United States and International Control Lists; review and, where appropriate, revision of United States and international measures for enforcement and implementation of controls; and further review and implementation of the decreasing reliance program. Other elements of the program include seeking further cooperation from countries not participating in the CG/COCOM/CHINCOM, increased emphasis upon public relations and education relating to economic defense, both within the United States and abroad, continuing study of Soviet trade tactics and related information on trends and terms of East-West trade, and various organizational realignments within the inter-agency committee structure of the economic defense community.

United States Export Licensing Policy

As to the security export licensing policies of the United States itself, NSC 152/3 provides for some liberalization towards the European Soviet bloc, with due regard to pace and timing and with the aim of furthering certain economic defense objectives, such as decreasing the political and economic unity of the bloc (paragraph 19e of NSC 152/3). Within the framework of this policy, the Department of Commerce, in issuing its 25th and 26th quarterly reports to Congress on Export Control, highlighted the following: that it is, and has been for several years, the United States policy to approve the export of non-strategic goods to the Soviet bloc in Europe, except for transactions which would adversely affect the security interest of the free world. (Considerations of quantity and other special circumstances of particular transactions would determine how the security interest might be affected.)

As regards United States security export licensing policies and practices under NSC 152/3, the period under review may be characterized essentially as one of watchful waiting accompanied by a degree of uncertainty as to how best to exploit Soviet trade tactics and related developments within the bloc.

During the same period of time, the Randall Commission published its report, and, in the majority recommendations on East-West trade policy, suggested that the United States acquiesce in more trade in peaceful goods between Western Europe and the Soviet bloc.

It was also during this same general period that wide publicity occurred concerning proposals to sell to European Soviet bloc countries large quantities of surplus butter and cottonseed oil from United States Government stocks at world prices. The reaction from the consuming public in the United States to the proposed sale of butter to the bloc at a price below that paid by the American housewife was prompt and vigorous in opposition, judging from the correspondence received in the Executive and Legislative branches. Upon cabinet-level consideration, it was decided on February 10 "to deny commercial export license applications for the export for cash of United States Government-owned surplus agricultural or vegetable fiber products to Russia or her satellites".

After consideration of the security aspects of the disposal abroad of Government-owned agricultural surpluses, the National Security Council approved NSC 5415/1 on April 1.[4] It concludes that there would be a security advantage to the United States in receiving needed strategic materials from the bloc in barter for non-strategic agricultural surpluses; but in the event of disposal other than by barter, there must be a clear advantage to the United States and no material injury to the trade of friendly countries.

On March 2, in accordance with a recent decision of the Cabinet, the State Department informed Soviet representatives that the United States was prepared to give consideration to any offer the Soviet Government might wish to make for the purchase of United States Government-owned surplus agricultural commodities in return for certain minerals such as manganese, chrome or nickel. On April 1, the Soviet representatives replied that the USSR is prepared to enter into negotiations with United States representatives for such exchanges but wishes to include consideration of trade in other goods.

As of the cut-off date for this report State, Agriculture and other interested agencies were exploring the possibilities of developing a proposal to the Soviets which would be advantageous to the United States, whereby perishable agricultural surpluses would be bartered for strategic materials desired by the Office of Defense Mobilization.

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[4] For text of NSC 5415, Mar. 23, 1954, see p. 175. It was approved, as revised, on Apr. 1 by the NSC at its meeting of that date; see the memorandum of discussion, p. 189.

A comprehensive review of United States licensing policy and procedures applied to shipments to Hong Kong indicated that a considerable number of commodities had little or no importance to the Communist Chinese economy and were not sought by the Chinese or, if in demand, were being procured from sources other than Hong Kong. Accordingly, a substantial relaxation in licensing shipments to Hong Kong was effected during the period under review. Approximately 35% of schedule B Listings have been placed on the General License List.

STRATEGIC LIST REVIEW

NSC 152/3 provides that "United States efforts should be devoted to establishing the control system on a narrower and more flexible basis by tightening the criteria so as to concentrate on commodities and services which contribute significantly to the war potential of the Soviet bloc." The work program which was approved by the joint EDAC-ACEP Committee provided for the review of criteria for listing strategic commodities. An interdepartmental working group developed a set of attributes and standards to serve as the basis for listing strategic commodities. These attributes and standards were approved by the joint EDAC-ACEP Committee on October 29, 1953. (See EDAC D-61/1 of November 18, 1953 [5]) On December 14, 1953, the joint EDAC-ACEP Committee agreed to the establishment of an *ad hoc* Security List Working Group for the purpose of achieving a relatively rapid review of items on International Lists I (Embargo), II (Quantitative Control), and III (Surveillance) in terms of the attributes and standards, in order to determine:

> "(a) The appropriate placement of each item on the new United States Master Export Security List;
>
> (b) What related changes if any would be required in Battle Act Listings;
>
> (c) The United States position with reference to each item on the International Lists relating to retention of present control, downrating, uprating, or decontrol. (In the event that deletion from International Lists is proposed, it is essential that the recommendation also indicate whether or not the deleted item is proposed for addition to the Special China List)."

The *Ad Hoc* Working Group commenced its operations in December with the knowledge that the bilateral discussions between the United States and the United Kingdom in November 1953 had indicated that the British were thinking in terms of a drastically shortened International Embargo List and were considering the elimination of the quantitative control and watch lists. It was recognized that negotiations with the United Kingdom would be resumed whenever the British Government had completed its review of economic defense policy, including the proposal for drastically reduced international control lists foreshadowed in the November discussions. It was estimated that the negotiations with the British would be resumed in March 1954. The long-range objective of the United States security list review was to complete a comprehensive review of all items on the international lists and the United States security lists in order to produce a definitive United States Master Export Security List covering all security items. It was hoped that a sufficient number of items would be reviewed by the time negotiations were resumed with the British that the United States would be able to indicate to the British on an illustrative basis the manner in which the revised attributes and standards would apply to specific strategic commodities. The agencies participating in the list review made a quick estimate of the items on the international lists placing them in three categories: First, items which clearly would meet the new attributes and standards; secondly, items that probably would not meet the attributes and standards; and thirdly, items on which there might be some questions as to the applicability of the attributes and standards. The purpose of this estimate was to establish priorities for the list review. In this preliminary estimate the previous negotiating history in the Coordinating Committee was taken into account in addition to the strategic significance of the items in question.

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[5] Not printed.

A new element was introduced into the United States review when the British submitted a specific and detailed short list proposal to the United States on March 1. This gave added urgency to a higher priority review of the International Lists, particularly List I and List II. As of that date the product of the United States' list review was still based on the concept of a gradual and moderate reduction in the lists; as such it was not very useful in discussing the rapid and substantial reductions proposed by the British.

In the trilateral discussions in London in March the United States presented to the British and French a proposed basis for list review to be undertaken by the Coordinating Committee. This basis was essentially the United States attributes and standards in a somewhat simplified form. This paper was agreed with the British and French. The principal difference in interpretation arose in connection with criterion (c) in the agreed paper on which the United Kingdom placed a much narrower construction than the United States had applied to the corresponding criterion in the United States attributes and standards. Criterion (c) stated that items eligible for international listing should include "material and equipment (by types and grades) in which the Soviet Bloc has a deficiency which is critical in relation to its military capabilities and which it could not overcome within a short period." In the Consultative Group meeting, April 13 and 14, the United States made clear an important amendment to criterion (c) as it was agreed in London. This amendment stated that the term "military capabilities" is intended to include *both* present and *future* capabilities. The paper as agreed in the Consultative Group is attached as Appendix I. It was agreed in London that there would be trilateral consultations on successive categories of the international lists prior to COCOM review of individual categories and that this review was to be kept secret from the other participating countries.

The United States list review pursuant to the London agreement and the Consultative Group decision was scheduled in accordance with the new program for review of the lists on a category by category basis. The trilateral consultation on the first category, metalworking machinery, in fact commenced prior to the Consultative Group meeting. It was understood in the Consultative Group that the Coordinating Committee review of the various categories would be completed by July at which time the Consultative Group would review the results of the Coordinating Committee operation.

An important issue in the Consultative Group discussions as well as in the prior trilateral negotiations in London was whether or not the participating countries should feel free to decontrol items as soon as agreement had been reached on an individual category in the Coordinating Committee review. Most of the participating countries favored a delay in decontrol of items until the entire list review had been completed in July. However, the British introduced a reservation to the effect that they would be free in specific cases to raise the question of immediate decontrol following agreement in COCOM. As a result of commitments given the British in the London trilateral discussions, the United States undertook to support the British in such proposals for prompt decontrol in the Coordinating Committee.

A second major issue which was not resolved at the Consultative Group meeting was whether or not a quantitative control concept should be continued in the international control program. The assignment made to the Coordinating Committee was without prejudice as to whether or not there would continue to be three international lists, i.e., embargo, quantitative control and surveillance.

A National Intelligence Estimate of the economic, strategic and political consequences of relaxing free world controls on trade with the Soviet bloc was done immediately after the United Kingdom put forward its short list on March 1. (See NIE 100-3-54, approved

March 16, 1954.[6]) The estimate was done on a crash basis to assess the general consequences of a program on the order of the British proposal for a short embargo list and elimination of quantitative controls. It assumed that present controls on Communist China would be continued and that the United States would not impose more stringent controls on trade with the European bloc than its allies did.

It was roughly estimated that relaxation to the extent proposed by the British would probably produce an increase in Soviet bloc imports of decontrolled items on the order of one-half billion dollars annually. It concluded that this development would not significantly increase the bloc's economic capabilities or military potential over the long term. However, certain strategic gains would accrue to the bloc in the short period immediately following decontrol. The estimated increase in bloc imports would be small relative to the output in those countries; the need for categories of goods which would be decontrolled has almost certainly been reduced by bloc adjustments to trade controls and general progress toward self-sufficiency.

Increased trade with the bloc consequent upon relaxing controls would have no significant direct economic effect on the United States and only a modest overall long run economic effect on the non-Communist world. It is improbable that such trade as is likely to result would have any significant effect upon the military potential of the non-Communist world. The relaxation of controls on trade with the European Soviet bloc, including the Soviet Far East, would considerably reduce the effectiveness of existing controls on trade with Communist China.

This estimate necessarily concerned itself largely with the quantitative aspects of the problem of relaxed controls, and did not on the whole attempt to evaluate the importance of individual commodities to the bloc. Qualitatively the increase resulting from a relaxation of controls could provide significantly important additions to bloc military capabilities.

This assessment of the problem of Communist-Free World trade, took into consideration the conclusions of recent National Intelligence Estimates, namely, there is no sign the ideological dynamism of the Communist regime is abating; the fundamental hostility of the Communist rulers toward the free world remains unchanged; and their basic objectives continue to be an expansion of their own sphere of power and the eventual domination of the non-Communist world. (See NIE 59 and SNIE 11-54.[7])

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[6] *Ante*, p. 1121.

The Fourth Battle Act report, issued May 17, deals with Soviet trade policy and tactics. It demonstrates in essence that, in spite of recent bloc overtures for increased trade with the free world, there is no really basic or fundamental change in Soviet economic policy, which is intent upon self-sufficiency within the bloc.

ENFORCEMENT OF STRATEGIC TRADE CONTROLS

In the implementation of NSC 152/3, the highest priority has been accorded to improved enforcement of strategic trade controls. During the period under review considerable progress was made in "tooling up" the diversions control operation within the United States Government, and it is hoped that the next several months will see a greatly accelerated rate of progress through COCOM in concrete multilateral steps to improve the enforcement of international controls.

United States Measures—In the process of tightening up enforcement arrangements within this government, ancillary measures employed by the United States were critically reviewed with a view to improving those found to be inadequate and to eliminating or reducing the scope of those found to be of limited usefulness. This review covered controls over the carriage of strategic goods in United States ships and aircraft, controls over the bunkering of vessels engaged in trade with Communist China, and transactions controls. In addition, steps were taken to place the Administrative Action Program on an agreed inter-agency basis. Under this program violators of strategic trade controls are denied export licensing or other privileges by the United States Government. A Diversion Control Network was also established to insure full intelligence support and timely coordinated action in cases of suspected or actual diversion of strategic goods to the Soviet bloc. (See EDAC D-89 of May 14, 1954 for a description of the Network.[8]) This interdepartmental machinery has concentrated attention on transactions involving significant amounts of International List I commodities, in which there appear to be a substantial chance of preventing an impending diversion or in which development of the facts in the case, even if the diversion cannot be prevented, may yield enough information to assist in persuading or enabling a COCOM country to plug a loophole in its enforcement machinery so that future diversions of this sort may be prevented.

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[7] For text of NIE-59, Apr. 16, 1953, see p. 949; SNIE-11-54, "Likelihood of General War Through 1957," Feb. 15, 1954, is not printed.

[8] Not printed.

COCOM Measures—The United States has become increasingly concerned by the magnitude and extent of diversions, and has pressed hard over the last year for increased emphasis upon enforcement of agreed COCOM controls, in particular controls over transit shipments, i.e., the Transit Authorization Certificate (TAC) scheme, and transactions or financial controls over strategic shipments. It has been estimated on the basis of proven diversions that as much as $200 million of illicit trade in strategic commodities may have taken place in 1953. (Total legal exports (actual and/or licensed) of International List I items by the 15 COCOM countries amounted to $2.8 million in 1953; the figure for International List II items was $36.6 million.) More than 5,000 firms or individuals were involved in one way or another in business transactions in violation of export controls.

During the period covered by this report, a good deal of attention was given to the ancillary measures already agreed in COCOM or proposed for multilateral adoption to control the transshipment and illegal diversion of strategic items. A major review of experience to date under the Import Certificate-Delivery Verification (IC/DV) scheme was held in COCOM and resulted in agreement on several needed improvements to clarify and strengthen this operation. The coverage of the system has recently been extended to include all items on International Lists I and II.

As a consequence of bilateral approaches by United States representatives to other participating countries, agreement was reached at the April meeting of the Consultative Group on the principle that responsibility for preventing diversions is a cooperative one and that there should be a full exchange of information and cooperation among enforcement services as well as full resort to other means for the detection, stopping and subsequent investigation of illegal shipments. This recognition of responsibility by the participating countries is a significant step and makes possible maximum practical action in dealing with diversions until such time as a more complete system of transshipment licensing is established. The stalemate over the United Kingdom delay in adopting transaction controls, which has been the stumbling block to full participation by all COCOM countries in the TAC scheme, is expected to be broken during the current international list review. The transit trade and transshipment problem, is discussed in some detail in the 6th Progress Report on NSC 104/2.[9]

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[9] Dated Jan. 19, 1953, p. 913.

DECREASING RELIANCE ON TRADE WITH THE SOVIET BLOC

Paragraphs 13, 15, 19(c) and 32 through 36 of NSC 152/3 reflect the concern of the United States over the problem of minimizing free world countries' economic dependence on the Soviet bloc. This problem was studied intensively in the EDAC agencies during the two years ending July 1953. The product of this study has been widely circulated within the executive agencies which have economic defense responsibilities and interests.

The major conclusions of this study were as follows:

1. Without exception, the dependence of free world countries, collectively or individually, on Soviet bloc sources of supply for basic commodities is no longer very important, in the sense that coal, wheat, timber, and other essential goods are *physically* available in ample supply in the free world at prices equal to or lower than, Soviet bloc prices. However, other aspects of the problem remain, primarily the balance of payments problem.

2. With only a few exceptions, notably Finland, there has been no very heavy reliance on Soviet bloc markets. However, this aspect of the dependence problem has rapidly assumed larger proportions, particularly as competition for markets has increased in the free world, and as the fear of an economic depression in the West, especially in the United States, became evident.

3. In the long run the major returns toward achieving a position in which the free world countries will view their trade with the bloc as marginal, or as not affecting their economic well-being or political stability in any vital way, are apt to accrue from progress in solving some of the more basic economic problems of the free world. The solution of problems of economic dependence on the Soviet bloc is not unconnected with such existing United States programs and policies in the economic field as improving the dollar position of the free world, better conservation and increased production of essential materials, increasing productivity, lowering free world trade barriers, particularly those of the United States, and economic development and international commodity stabilization.

4. In addition to the numerous economic motivations, at the national and local or private levels, underlying the free world's trade with the bloc, there are a host of political and psychological pressures to trade with the bloc. To the extent that the Soviet bloc exploits these pressures to the detriment of the free world—for example, in subverting western security trade controls, or fostering suspicions or irritations which strain free world unity in the political and military fields—a greater measure of coordination of free countries' economic relations with the bloc might be useful, specifically in combatting the divisive aims of Soviet psychological and economic warfare. In addition, a carefully planned and executed educational program by Western governments would be helpful in exposing the myth of the Soviet bloc as an important and reliable trade partner.

Among the foregoing, only paragraph 4 calls for efforts having a distinct economic defense origin or emphasis. At the April 13–14, 1954 CG meeting, there was substantive discussion of Soviet trade tactics. This of itself was an encouraging, although modest, move in the right direction, since previously the subject had been considered beyond the CG's terms of reference. However, the United Kingdom, which submitted a very brief memorandum on Soviet trade tactics as the basis for discussion at the CG meeting, still considers that COCOM should be concerned only with security controls in a narrow sense, and that discussion of related matters should be coordinated outside COCOM. This position would perpetuate the present situation, in which questions having to do with general East-West trade policy are ruled out of order in CG/COCOM unless they bear directly on specific security trade control problems, and yet are not considered in the NATO or the OEEC because of the existence of CG/COCOM.

It might be noted that on numerous past occasions the Turks, French, Italians, Belgians and Germans and possibly others have expressed views nearer to ours on this issue. In any event, future United States attention and efforts should be directed to it, with a view, specifically, to effectuating full and timely exchanges in COCOM of information on Soviet bloc trade tactics.

Closely related to the problem of expanded terms of reference for the CG is the question of relating economic defense to NATO and the proper division of functions between the CG structure and NATO in this field. The Washington view is that NATO should undertake a periodic review of the broad trends of the economic defense effort and of its basic assumptions in relation to the cold war strategy. It is thought, however, that the CG organs should continue to be the day-to-day forum for discussing economic defense matters but with broader terms of reference so as to bring under consideration the pertinent economic and political factors and to place greater emphasis on better enforcement of existing controls.

CONTROLS ON TRADE WITH COMMUNIST CHINA

Paragraphs 16 and 19 of NSC 152/3 cover the special circumstances governing United States policy toward Communist China which differ from those pertinent to the rest of the Soviet bloc. In the light of the Korean armistice, and pending a political settlement in Korea and a review of basic policies toward Communist China and North Korea, United States policy calls for maintenance of the present levels of controls on transactions with Communist China and intensified efforts to persuade our allies to refrain from relaxing their controls on trade with Communist China.

Since the Korean truce, pressure from other countries has mounted for relaxation of trade controls toward Communist China. Several Western European countries have informally suggested the desirability of reviewing the controls on China trade with a view toward eventual reduction of their scope. European businessmen are eager to preserve competitive opportunities in China. The pressure brought to bear in the British Parliament with respect to antibiotics, on which the China Committee removed restrictions last December, seems to reflect the motivation of trade even though the arguments stressed the unique humanitarian reasons for decontrol. Free world Asian countries have also shown new interest in expanding trade, particularly in their major export items. The depressed level of prices on commodities such as rubber and tin has brought increased demands within producing countries for trade with Communist China. There have been indications recently of a desire that the UN consider revoking the resolution on Communist China, which has served as the principal restraint on some nations from trading in strategic goods with the Chinese Communists. Public opinion in Japan has been very strong for relaxation of China controls concurrently with any relaxation of controls applicable to the European Soviet bloc. This opinion has recently intensified. The Japanese are concerned over the possibility of transshipment via the European Soviet bloc of items removed from the international lists but retained for China embargo. Japan would be placed at a competitive disadvantage in such trade. Economic necessity is a real factor in the Japanese attitude. in view of Japan's critical balance of payments position, the realization that United States expenditures in Japan are of a temporary nature and the pre-war reliance upon the China mainland as a market for roughly 15% of her exports.

The United States embargo policy toward Communist China has had wide public and congressional support in this country and, in the absence of a clear political settlement, probably will continue to have this support. Relaxation of controls in advance of progress toward an acceptable political settlement with the Chinese Communists might create such public dissatisfaction in the United States as to impede the government's participation in a sound international economic defense program.

Taking into consideration the changed circumstances in the last half of 1953, the National Security Council has given consideration to the question of the levels and stringency of United States trade controls vis-à-vis Communist China in the period short of a satisfactory settlement of the Korean problem and during a period of no open armed conflict. As a result of this consideration, the NSC agreed to release Japan, gradually, as appropriate, from its obligation under the US-Japanese bilateral agreement to maintain export controls at a higher level than the COCOM China Committee levels. Substantive review of United States policy on China trade controls was postponed, however, pending the outcome of the then forthcoming Geneva Conference.

The study presented to the NSC takes cognizance of a significant difference in current United States policy objectives toward Communist China and the European Soviet bloc. Communist China trade controls are armed at impeding the *industrialization* of China in addition to its direct war potential, while the European Soviet bloc controls are aimed at impeding only the development of that area's *war potential*. It would follow from this and other considerations that, until there is a basic change in the Chinese situation, the trade controls directed against Communist China should be broader and more extensive than those against the European Soviet bloc. The study also set forth the arguments in favor of substantive relaxation of United States controls towards Communist China and the arguments in favor of retaining present United States controls.

A major factor in the decision to cancel the secret understanding with Japan concerning China controls was the desire to assist the Japanese Government to meet political pressures for reduction of controls to the multilateral level. However, we indicated to the Japanese that their handling of decontrol ought to be so timed that it could not be regarded by the Chinese Communists as evidence of inability of the free world countries to maintain the present high level of multilateral controls on strategic trade with Communist China. In notifying the Japanese of the decision to cancel this agreement, we requested assurances that reduction of the controls to the multilateral level in the China Committee would take place on a gradual basis and in such way as to prevent serious harmful effect on our negotiating position at the Geneva Conference. We cautioned the Japanese that in the event the Far Eastern situation deteriorates further, the United States would depend upon Japan and other free world countries to cooperate in the imposition of tighter controls on trade with Communist China. The Japanese agreed that controls would be relaxed at a rate no faster than 30 items per week from the list of approximately 400 items which Japan had been controlling over and above those items agreed for embargo multilaterally. An initial list of 25 items was to be relaxed about April 24.

Agreement on a *modus vivendi* regarding the standards of trade controls applied to the Portuguese Colony of Macao is under study by the governments of the United States and Portugal. Negotiations were carried out in Lisbon in March-April 1954 looking to the improved enforcement of Communist China trade controls at Macao by the Portuguese in return for assistance in acquiring goods needed for Macao's "legitimate requirements".

OTHER DEVELOPMENTS

International Controls Over Shipping

Two broad developments in the shipping field merged during the period under review with the result that, by the end of the period, Soviet ship orders with Western European yards were on their way to record heights, even though no formal change had been made in COCOM controls over ships. During 1952, ships accounted for about one-half the total value of licenses issued by COCOM countries for secondary strategic (International List II) items, or $23 million out of a total of $47 million. In 1953, they accounted for about one-third, or $12 million out of a total of $36 million. However, on the basis of orders already in hand or in prospect as of April 1, 1954 the value will increase sharply during each of the next several years.

The first of these developments was the tapering off of the post-war ship construction boom. Whereas several years ago the order books of most Western European yards were filled for the next four to five years, by the end of 1953 the backlog had shrunk to two years or even less. Competition for new orders among the Western yards was correspondingly greater, and this commercial rivalry among the Western ship-building countries was reflected in government positions in COCOM.

The second development, which was clearly related to the first in the minds of Soviet planners, was a drive by the USSR to procure ships from the West, particularly fishing vessels and dry-cargo ships. While the Soviet Union had tried with some success since 1948 to obtain ships in its trade negotiations with Western European countries, simultaneously with the truce in Korea and the new interest on the part of Western countries in obtaining Soviet orders, the Soviet Union was able not only to place orders for larger numbers of ships in connection with trade agreement renewals but also to place orders for the first time on a cash payment basis.

During this period the United States attempted, through bilateral negotiations and multilaterally in COCOM, to obtain agreement on a more meaningful system of controls over ships sales and ship services (i.e., repairs and chartering). Although good progress was made in the direction of delineating the types and characteristics of ships that should be embargoed to the Soviet bloc, very little progress was made toward reaching agreement on the control of non-embargo ships. As the period ended, it appeared doubtful that the Western European countries would agree to limit annual deliveries of ships to the Soviet bloc to anything like the level which the United States believed necessary in the interest of security. A summary of these negotiations is attached as Appendix II.

Battle Act Exceptions

As anticipated, a major portion of the prior commitment deliveries to the Soviet bloc materialized during the period under review. The value of shipments involved in Battle Act exceptions cases more than doubled that of 1952. Presidential determinations in August 1953 and March 1954 to continue aid to recipient countries, despite the shipment of embargo items to the Soviet bloc, involved commodities valued at $10.25 million. Approximately 61% consisted of shipments resulting from commitments made prior to the effective date of the Battle Act. All of these shipments went to Eastern Europe with the exception of one small shipment to Communist China—$32 worth of gauges intended for a sugar-processing plant.

Eight countries were involved in exceptions cases, including Austria, Denmark, France, Iran, Israel, Norway, the United Kingdom, and West Germany. (See EDAC D–38/1 of July 31, 1954 and EDAC D–38/6 of March 5, 1954.[10]) Two determinations were made for Austria, France, Norway and the United Kingdom during the period under review. All of the shipments from France and the Federal Republic of Germany and nearly all those from the United Kingdom were made in accordance with prior commitments. A summary table is attached indicating the value of the shipments involved in Presidential determinations under the Battle Act. (See Appendix III.)

Austria, Iran and Israel are the only countries involved in Battle Act determinations to date, which are not openly associated with the United States and other western nations in the North Atlantic defense effort. Nonetheless their cooperation and friendly relations are important to the security of the free world. On the recommendation of EDAC, no public disclosure was made in these three cases for overriding political reasons. The shipments amounted to $587,581 of Title I, Category B commodities, 59% of which were prior commitments.

About $4.5 million worth of prior commitment orders are still outstanding. This includes approximately $3 million committed by France and $977 thousand by the United Kingdom in addition to $333 thousand worth of United Kingdom and Italian bearings and machine tool shipments, which had not yet been reported to Congress. France has agreed to withhold delivery of $2.7 million in prior commitment items, and our Embassy is of the impression that only a small volume of the remaining outstanding orders will be shipped. It is possible that revision of the International Lists now underway may wipe out a substantial portion of the residual prior commitments and could materially change the British and French schedules. Since deliveries have now been made on the bulk of the prior commitments, this type of exceptions case is expected to decline sharply in the future.

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[10] Neither printed.

One of the problems to be faced is how far to go in adjusting the Battle Act listings to take account of changes in the International Lists made during the COCOM list review. However, such changes will not take place until after the CG meeting in July, and will be based upon the action taken on COCOM recommendations. Some public and Congressional criticism is to be expected if extensive adjustments are made. It is expected that minimum shipments, consisting principally of spare parts and replacement items, will constitute a troublesome aspect of the exceptions problem in the future. Procedures under the Battle Act are now being revised to conform more closely with determinations made in COCOM concerning minimum shipments.

Cooperation of Non-COCOM Countries

. . . .

As a whole Latin American cooperation with Western controls on shipments of strategic commodities to the bloc countries improved during the period under review. While these countries have not been requested to adopt export controls parallel to those agreed in COCOM, they have, upon United States representation, refrained from accepting Soviet bloc proposals to buy such commodities as Chilean copper and Bolivian lead. The Latin American countries are not large exporters of strategic commodities. Metals and minerals, particularly copper, have been the principal source of concern as regards Latin American exports. In this regard, the concern has been less about direct shipments to the Soviet bloc than in regard to exports which went to Free World ports and then were diverted to the Soviet bloc. The principal difficulty has been with Chilean copper, particularly after the break in world prices. During the negotiations for United States stockpile purchase, Chile agreed to institute tighter controls including IC/DV procedures. These measures have been kept secret because of possible political repercussions.

800.2553/11-2454

The Secretary of State to the Director of the Office of Defense Mobilization (Flemming)[1]

CONFIDENTIAL [WASHINGTON,] November 24, 1954.

DEAR MR. FLEMMING: This letter supplements and brings up to date the Department's report of March 30, 1954[2] on the steps taken to carry out the course of action set forth in Paragraph 15 of NSC 97/6.[3]

The Department is continuing its efforts to encourage friendly countries, informally and in a spirit of cooperation, in the adoption of policies favorable to oil development within their territories. Oil exploration and development require a very high degree of technical competence and large capital resources which are normally available to underdeveloped countries only from private sources. The Department, therefore, wherever and whenever appropriate, and in such a manner as not to interfere in the internal affairs of other nations, encourages and assists friendly foreign countries in the establishment of conditions favorable to oil development by private capital.

The most notable event since the report of March 30, 1954 has been the conclusion of the agreement which ended the dispute over Iranian oil.[4] Some oil has already been shipped under this agreement and the Iranian oil fields and refinery will soon be operating again on a substantial scale.

Favorable developments have also occurred in other countries. Bolivia has substantially increased her production of crude oil and is showing a willingness to grant additional concessions on favorable terms to outside private capital. At least one large U.S. company is seriously interested in securing a concession and investing large funds in oil exploration and development. Argentina continues to show an interest in attracting foreign oil capital, particularly since her Government oil monopoly has been unable to produce enough oil to meet domestic requirements and reduce the heavy exchange outlays for oil imports, and has entered into negotiations with several large private companies. No agreements have been reached. Venezuela has granted no new concessions but there are indications that new concessions may soon be awarded. Cuba issued a new law on August 10, 1954 to stimulate oil exploration and development by private capital. Several oil companies, including some of the major companies, have undertaken oil exploration work in Cuba. Guatemala is working on a new petroleum law which it hopes will encourage private oil exploration in that country. Brazilian oil field development remains at a standstill under the Petrobras law which prohibits foreign participation in oil exploration and development. The failure of the Government monopoly to find significant quantities of oil and the large exchange outlays for petroleum imports have caused some Brazilians to question the soundness of the Petrobras law and to urge that the participation of foreign private capital be permitted. This whole question is now under active consideration within the State Department. Chile is also considering the enactment of legislation which would permit private capital to participate in oil exploration and development.

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[1] Drafted by Earl R. Beckner of the Petroleum Staff.

[2] *Ante*, p. 1139.

[3] Dated Nov. 16, 1953, p. 1054.

[4] Regarding the agreement under reference, see volume x.

Under the policies outlined above new opportunities are opening up for oil exploration and development in the free world, private oil companies who are interested in expanding their oil exploration and oil field development work wherever the investment climate and oil legislation are favorable are going into the new areas, and free world petroleum productive capacity and proved reserves are at a high level and continue to increase.

The Department believes that the policies which are being followed as outlined above offer the best prospects of success and recommends that they be continued in effect.

Sincerely yours,

For the Secretary of State:
THORSTEN V. KALIJARVI
Acting Assistant Secretary
for Economic Affairs

Editorial Note

On December 1, 1954, the Cabinet Committee on Minerals Policy submitted its final report to President Eisenhower. Seventeen pages in length, it recommended a complete review of United States stockpile objectives, a review of the supply and demand situation for each strategic metal and mineral in order to assure adequate domestic production, the establishment of a mobilization base for metals and minerals at a reasonable level, and the implementation of various steps toward the development of domestic mineral resources, such as investment tax credits, financial assistance to private industry, mapping, direct governmental exploration, and mineral research. Finally, it recommended establishing closer contacts between the mining industry and the government in order "to give force and effect to policies recommended" in the report. A copy of the report is in the Eisenhower Library, White House Central files, Confidential files. For a summary of the report and its recommendations, see Department of State *Bulletin*, December 27, 1954, pages 988–990.

THE DEVELOPMENT OF UNITED STATES POLICY REGARDING THE APPLICABILITY OF ANTITRUST LEGISLATION TO INTERNATIONAL PETROLEUM COMPANIES [1]

800.2553/3-3152

Memorandum by the Assistant Secretary of State for Economic Affairs (Thorp) to the Secretary of State [2]

SECRET [WASHINGTON,] March 31, 1952.

Subject: Federal Trade Commission Report on the International Petroleum Cartel

Problem:

To determine a Department position in regard to publication of the Federal Trade Commission report entitled *Report on the International Petroleum Cartel.*[3]

Background:

The report was completed in November 1951 as one of the regular economic studies of the Commission. It was classified secret and about fifty copies were distributed within the Government. Previous studies in the same series on such subjects as the sulphur cartel, the aluminum cartel and others, have been published as soon as completed.

The report is a historical study of the cartel practices of the international oil companies. It is based on company records which it quotes at length. These records indicate that the oil companies, among other things, retarded development of oil in certain Middle East countries and purposely drilled dry holes to comply with the legal technicalities of their contracts and in the 1920's and 1930's endeavored, through company agreements, to control and divide the world oil markets. Many of the objectional practices have been discontinued or are being corrected, but the report concludes that in principle they are still in effect. It contains some inflammatory language and in general is very damaging to the oil companies.

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[1] For related documentation, see volumes IX and X. For documentation concerning antitrust action by the U.S. Government against the United Fruit Company, see volume IV.

[2] Drafted by the Chief of the Petroleum Policy Staff, Robert H.S. Eakens, and by Assistant Secretary Thorp.

[3] The two-volume report was in response to a resolution passed by the Federal Trade Commission on Sept. 19, 1944, directing its economic staff to conduct a long-range investigation of international cartels, and to a supplemental resolution passed by the Commission on Dec. 2, 1949, directing that an investigation of the international oil cartel be carried out. A copy of the completed report, which was circulated within the U.S. Government in November 1951, is in the library of the Federal Trade Commission.

In December 1951, the Department asked the Federal Trade Commission for an opportunity to express its views regarding publication of the report prior to its being published.[4] Publication is now being seriously considered.

Discussion:

Complete suppression of the report is impossible. Its existence is widely known in Government and the oil industry. The question is really when and how it can be published with the least damage to the national interest.

It must be recognized that there is danger in the suggestion for delay. It might become a *cause célèbre* like the Wedemeyer report,[5] with Congressional and public demands for its publication. Speculation about an unreleased report may be more dangerous than a published reality. That the subject of the report is the past behavior of the big oil companies, would not help the situation.

There is, of course, serious danger of the report eventually leaking by one means or another. However, leakage of parts of it on an unofficial basis would not be nearly as damaging as the official publication of the report since it would provide a less authentic propaganda weapon.

Publication now could seriously undermine the position of the oil companies as well as the whole United States–United Kingdom position in the Middle East. Opponents of the oil companies, advocates of nationalization and the Communists would have a substantial amount of material in the report indicating that the oil companies had acted contrary to the best interests of the countries concerned. The fact that these charges could be documented from an official United States Government report would make them doubly effective. A United States Government report of this type would be highly embarrassing to the British. Iraq's Prime Minister Nuri[6] is mentioned in the report in a manner which could be used against him in the elections which will shortly be held in Iraq.

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[4] This is presumably a reference to a letter of Dec. 27, 1951, from Under Secretary of State James E. Webb to the Chairman of the Federal Trade Commission, James M. Mead, which is in the files of the Bureau of Industrial Economics, Federal Trade Commission.

[5] Lt. Gen. Albert C. Wedemeyer's report on China to President Truman, dated Sept. 19, 1947, the text of which is in *United States Relations With China* (Washington, 1949), pp. 764–814.

[6] Prime Minister Nuri Said.

From the legal standpoint, there is no precedent for suppressing publication. The Federal Trade Commission is an "independent agency" with statutory authority to investigate practices of American corporations and to make public information obtained (except trade secrets) as it shall deem expedient in the public interest. L/E believes, however, that the President would be upheld if in the national interest he required suppression of the publication. L/E considers such action to be fraught with danger unless the foreign policy considerations were overwhelming, when balanced against public interest in favor of publication and the fact that the Government does not want to appear to condone any questionable practices of the oil companies. (Annex I[7] sets forth L/E's views.)

Recommendation:

That since our security interest in a highly critical area is involved, the Department ask the National Security Council for a judgment as to whether publication now would be contrary to the national interest.

If the National Security Council decides that publication would be contrary to the national interest, the Department ask that publication be deferred, subject to review at the end of four months, if the Commission so desires.

If a contrary finding is made by the Council, the Department inform the Commission that it takes no position on the question of publication of the report.

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[7] Not printed; it is a four-page undated memorandum from Stanley D. Metzger, Deputy Assistant Legal Adviser for Economic Affairs, to Eakens.

800.2553/4-2552

The Secretary of State to the Chairman of the Federal Trade Commission (Mead)[1]

SECRET [WASHINGTON,] April 25, 1952.

MY DEAR MR. MEAD: This is in further reference to the recently completed Federal Trade Commission study of cartel activities in the world petroleum industry. In his letter to you of December 27, 1951,[2] Under Secretary of State James Webb stated that if in the future the Federal Trade Commission plans to publish this study the Department would appreciate an opportunity to present its views prior to publication owing to the importance which it could have on certain aspects of U.S. foreign policy. I have since been informed by Assistant Secretary of State Willard Thorp that he has been told by Mr. Corwin Edwards of your staff that the Federal Trade Commission is contemplating publication of the study. For that reason, an expression of the views of the Department of State would seem to be in order.

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[1] Drafted by Legal Adviser Adrian S. Fisher.

[2] Not printed, but see footnote 4, *supra*.

It is not appropriate for the Department of State to interfere in any way with the Federal Trade Commission in carrying out the duties and responsibilities imposed upon the Federal Trade Commission by the laws of the United States. It is the responsibility of the Department of State to bring to the attention of the Federal Trade Commission the effect which the release of the report would have on the foreign relations of the United States. The Federal Trade Commission can thus have this aspect of the national interest before it when it makes its decision.

In the view of the Department of State, the publication of the report will not help the achievement of the foreign-policy aims of the United States in the Middle East and may seriously impair their attainment.

The report makes the point that one aspect of the alleged cartel concerns control of the major oil-producing areas in the world, particularly in the Middle East. This will inevitably be interpreted by the peoples of the region as a statement that, were it not for such agreement, they would be getting a higher return from their oil resources. This will, of course, strengthen the movement for renegotiation of the present concession agreements and may give encouragement to those groups urging nationalization. Since the issues are not only economic but also political, the net effect will probably be to cause a decrease in political stability in the region.

At the present time, the political instability in the Middle East has created a situation unfavorable to the investment of new capital in that area. For that reason it is unlikely that any decision with respect to publication would have the effect of bringing new American enterprises into the Middle East to aid in the development of the oil resources of the area until the political situation has been clarified.

The Department of State makes these considerations available to the Federal Trade Commission in order that the Federal Trade Commission may be fully advised of all the implications of the proposed action when it makes its decision as to its future course of action.

The Department of State is expressing only its own views on this report and is not undertaking to express the views of other Government agencies which may be interested in this matter.

Sincerely yours,

DEAN ACHESON

Truman Library, PSF-Subject file

Memorandum of Discussion at the 116th Meeting of the National Security Council on Wednesday, April 30, 1952 [1]

TOP SECRET

[Here follows discussion of the situation in the Far East, the effective utilization of civilian manpower of non-Soviet nations for work of value to the national defense, a provision for state military forces, the Japanese Peace Treaty, and the status of National Security Council projects.]

At the end of the meeting, the President asked the Secretaries of State and Defense and Mr. Harriman if they had been able to work out jointly a solution to the problem posed at the last Council meeting [2] by the threatened publication of the Federal Trade Commission's report on cartel practices in the oil field.

Secretary Acheson said that, regrettably, they had as yet been unable to come up with a solution. Various suggestions had been made, continued Secretary Acheson, including one that responsibility for the report be shared by the Congress, but each one of these solutions seemed to provide worse complications.

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[1] This memorandum, presumably prepared on May 1 by the Secretariat of the National Security Council, was addressed to the President. According to the minutes of the meeting, which consist of a list of the participants and a brief list of the decisions taken at the meeting, the following members of the Council attended: President Truman, presiding; Secretary of State Acheson; Deputy Secretary of Defense Foster, Director for Mutual Security Harriman, and Chairman of the National Security Resources Board Gorrie. Others present at the meeting were Secretary of the Treasury Snyder, Acting Director of Defense Mobilization Flemming, Mr. Vanech of the Department of Justice, Acting Secretary of Labor Galvin, Director of the Bureau of the Budget Lawton, Acting Federal Civil Defense Administrator Wadsworth, Special Consultant to the President Souers, General Bradley, General Smith, Commander Clausner, Major Rule of the Joint Chiefs of Staff, and Lay and Gleason of the NSC Secretariat. (Truman Library, Truman papers, PSF-Subject file)

[2] According to the memorandum of discussion at the 115th meeting of the National Security Council on Apr. 23, President Truman had raised the question of the Federal Trade Commission's report regarding the oil companies and had said that there was great danger that the contents of the report would leak out, with resultant damage to the national security. Secretary of Defense Lovett had suggested that he and Secretary of State Acheson together frame a statement to the effect that "release of the Federal Trade Commission's report to the public at this time would seriously damage our relations with the British, would have a detrimental effect on U.S. policy with regard to the Arab states, and would certainly accomplish nothing positive to compensate for this change." Acheson had recommended that Harriman also take part in the preparation of this statement. President Truman then had asked that all three join in making a recommendation to him on this problem. (Truman Library, Truman papers, PSF-Subject file)

The President stated that he had been thinking the matter over, but he himself could find no ready solution to a bad situation. Plainly, we would have to do some more thinking about the matter.

General Smith offered to have the Central Intelligence Agency prepare an estimate of the dangers to be anticipated if the Federal Trade Commission report leaked out. He noted that the impact was bound to be serious and was certain to give aid and comfort to anti-Americans in the Middle East. On the other hand, bootleg leaks might be better than official publication of the FTC report.

After further discussion, the President suggested that General Smith and Mr. Vanech get together and see whether they could propose recommendations to him which might succeed in solving the problem. The President said that the Council could well imagine what would happen if the press were able to headline the allegation that the President of the United States had intervened to prevent the Department of Justice from pressing anti-trust suits against the powerful oil companies. There was no need, he added, to point out again the bad effects on the national security of the publication of this report.

Truman Library, Spingarn papers, FTC International file

Memorandum by Federal Trade Commissioner Stephen J. Spingarn to the Chairman of the Federal Trade Commission (Mead)

SECRET [WASHINGTON,] May 1, 1952.

In re: Publication of International Oil Cartel Report.

Attached is a memorandum which I have had prepared itemizing some of the constructive results that might be expected to follow the publication of our Oil Cartel Report. In view of the arguments which have been made on the other side, I thought it worthwhile to have such a memorandum prepared.

It occurs to me that when you see the President about this matter, you might think it worthwhile to give him a copy of this memorandum.

S[TEPHEN] J. S[PINGARN]

[Attachment]

Memorandum Prepared by the Staff of the Federal Trade Commission

SECRET [WASHINGTON,] April 30, 1952.

SOME CONSTRUCTIVE RESULTS WHICH MAY BE EXPECTED TO COME FROM THE PUBLICATION OF THE FEDERAL TRADE COMMISSION'S INTERNATIONAL OIL CARTEL REPORT

1. Publication of the international cartel report would be the most effective way of inducing oil companies to alter their restrictive policies and improve their relations with foreign governments in advance of the time when these governments will have a belligerent minority strong enough to nationalize the oil industry. It is much better that the facts be revealed now when there is still time for policies to be changed and differences settled by negotiation rather than suppressing the facts and postponing changes, as was the case in Iran, until the foreign oil companies are engulfed by a wave of hatred.

2. Publication of the report would not reveal to Middle East governments additional information which would enable them to take undue advantage of the oil companies in future negotiations. Middle East governments are acquainted with most of the major points made in the report. For example, in stating the grounds for the Iranian Government's decision to nationalize the oil industry, an Iranian Government official stated:

> ". . . In arriving at this conclusion, the Oil Commission was aware of the existence of the 'World Oil Cartel,' and fully realized that the implementation of nationalization would be met by the opposition, not only of the AIOC and the British Government, but the other major oil companies as well. This opposition was expected in terms of the boycott of technical assistance, tanker transportation, and intimidation of independent companies who might otherwise consider buying oil from Iran."*

Although they may not be aware of all the facts and details, they are well aware of the effects of the policies which the oil companies have followed. As a matter of fact, many of the Middle East governments have already acted upon information in their possession, similar to much of that in the report, to bring about a change in oil company policies. Evidence of this is the new oil royalty agreements recently concluded by the governments of Iraq, Kuwait, and Saudi Arabia.

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*Oil Forum, "Iran Presents Its Case for Nationalization," March 1952, p. 90. [Ellipsis and footnote in the source text.]

3. Publication of the report would be an effective counter to the Communist propaganda, which is widely distributed in the Middle East and which claims, in effect, that the resources of the Middle East are subject to monopolistic exploitation at the hands of "Wall Street" with the support of the United States Government. To have one arm of the United States Government present the facts on the international petroleum cartel will show unmistakably that this government is opposed to cartels and monopoly by oil companies operating abroad and that exploitation will not be condoned.

4. Issuance of the oil report would tend to ease restrictions on world trade and stimulate rather than retard foreign investment. As the hold of the cartel is loosened, competition will to that degree be established; and as competition is reestablished, independent American companies, as well as cartel members, will have more opportunities for expanding foreign investments.

5. Publication of the facts respecting the private oil cartel will go a long way toward counteracting the view which appears to be developing in foreign lands that the United States talks at great length of removing international barriers to trade but does nothing about them. Issuance of the report would thus be a timely symbol of good faith on the part of this government. Moreover, a prerequisite to removal of international trade barriers is public knowledge of the nature and extent of those barriers.

6. Finally, issuance of the oil report would supply to both the Congress and the executive branches of the U.S. Government information essential to the formulation and administration of both domestic and international oil policies, and to the American public, information basic to intelligent public opinion.

Truman Library, Spingarn papers, FTC International file

Memorandum for the File, by Federal Trade Commissioner Stephen J. Spingarn

SECRET [WASHINGTON,] May 6, 1952.

Subject: Publication of International Oil Cartel Report.

Chairman Mead and I saw President Truman about this matter at noon, May 6, 1952. Mr. Mead gave him a copy of the State Department letter of April 25, 1952[1] and the memorandum of April

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[1] *Ante*, p. 1261.

30 prepared here on this subject,[2] together with his covering memorandum of May 6 [3] which I had prepared.

The President told us that following Chairman Mead's last discussion of the matter with him some weeks ago,[4] he had taken the matter up at Cabinet [5] and asked Secretaries Acheson and Lovett and Mr. Harriman to consider the question of publication, obtaining also a report on the matter from General Walter B. Smith, Director of the Central Intelligence Agency and then advise the President as to their views. The President has not yet received a report from these gentlemen and General Smith, but expects it within a week or so. In the meanwhile, he naturally would like us to hold up publication of the report and we assured him that we would. It was agreed that I should act as Federal Trade Commission liaison man with the White House or other agencies on this matter. The President said that I should deal with Charlie Murphy on the matter. He also mentioned that Dave Lloyd and Dave Bell [6] were familiar with the matter.

After our talk with the President, we went to see Joe Short [7] to ask his advice on what to tell the press if we received inquiries about the publication of the report in view of our conference with the President. Short suggested, after consultation with Jimmy Lay, that we say that the matter was being considered by the interested agencies, notably State and Defense, for the purpose of determining whether the continued secret classification of the report would or would not be in the interest of the national security.

We then went to see Charlie Murphy and told him of our talk with the President and Joe Short, and that I was available to discuss the matter at any time with him or anyone else. The question as to whether I should now talk with General Smith or someone designated by him was discussed and Murphy said he would check and let me know. (Murphy had called me last Saturday, May 3, about 1:00 p.m., and told me about the reference of this question which the President had made and which he, himself, told us about today.)

When the press accosted us in the lobby of the White House to ask us what we had discussed with the President, we said that we had discussed the vacancy on the Commission and, without making any recommendation, had voiced the hope that it would be promptly filled. We also mentioned that while at the White House, we had seized the opportunity to talk about our appropriation difficulties with respect to the antimerger act particularly. (This last discussion was, of course, with Lawton[8] rather than with the President.) However, the White House reporters did not raise the question of the oil report and we did not mention it.

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[2] *Supra.*

[3] Not printed.

[4] This conversation has not been further identified.

[5] This is apparently a reference to the discussion at the 115th meeting of the National Security Council on Apr. 23, which is described in footnote 2, p. 1263.

[6] David D. Lloyd and David E. Bell, Administrative Assistants to the President.

[7] Joseph Short, Secretary to the President.

At the meeting of the Commission the same afternoon, Mr. Mead and I told Messrs. Carson and Mason[9] about our White House visit and also about the arrangement we had with Joe Short as to how we would answer questions about the report. I have also passed this information on to Nick Carey and Scott Daniel.[10]

S[TEPHEN] J. S[PINGARN]

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[8] Director of the Bureau of the Budget Frederick J. Lawton.

[9] Federal Trade Commissioners John Carson and Lowell B. Mason.

[10] Nick M. Carey, Director of the Office of Public Information, Federal Trade Commission, and D.C. Daniel, Secretary and Executive Director, Federal Trade Commission.

800.2553/5-652

Memorandum of Conversation, by William J. McMaster of the Petroleum Policy Staff

SECRET

WASHINGTON, May 6, 1952.

Subject: Discussion of Federal Trade Commission Report on International Petroleum Cartels With Representatives of the British Embassy.

Participants: Mr. D. A. Greenhill, First Secretary, British Embassy
Mr. J. A. Beckett, Petroleum Attaché, British Embassy
Mr. R. W. Bailey, British Embassy
Mr. Eakens, Miss Mims,[1] Mr. McMaster—PED

Mr. Greenhill summarized a communication received from the British Foreign Office which indicated that if the FTC report cannot be suppressed the British would favor its publication as soon as possible in order to prevent fragments of the report from leaking to the press and stimulating more interest and doing more harm than outright publication. If the report is to be published they would like to obtain a copy as soon as possible so as to be prepared to meet any possible repercussions. They also believe that it would be desirable for the oil companies involved to have an opportunity to see the report and also to be in a position to rebut the charges made against them.

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[1] Elizabeth Mims of the Petroleum Policy Staff.

The British were advised of the nature of the Department's position in respect to publication of the report. What the report will probably say when and if published was discussed in general terms with particular reference to the history of the Iraq Petroleum Corporation, which is likely to be the most damaging section of the report.

The British representatives stated that their main concern at this time was to provide their Government with advice regarding the action it should take to counteract the impact of publication.

In view of the nature of the charges made in the report and the continuing uncertainty that it will be published, Mr. Greenhill stated that he would advise his Government that for the present they should be thinking up explanations of the charges in the event of publication.

The British representatives felt that publication of the report would of course have serious implications in the Middle East area. They are aware that similar charges have been placed against the oil companies in the past by some Middle East governments but recognize that publication of the FTC report will tend to confirm those charges.

Before leaving the meeting Mr. Greenhill stated that Mr. Howard A. Cowden, Secretary of the International Cooperative Petroleum Association, has requested a meeting with the British on May 12 to discuss ICPA's proposal for a solution of the Iranian oil controversy.[3] Mr. Eakens stated that Mr. Cowden had discussed ICPA's proposal with officers of the Department and that he had been advised that there was no objection to his discussing the proposal with the British but that we had asked him to check back with the Department before he undertook any discussions with Iran.

Mr. Greenhill believed that the British would probably try to discourage ICPA from entering the controversy and wondered to what extent they could go in advising Mr. Cowden of their reasons for discouraging ICPA action. Mr. Eakens said that Mr. Cowden had in the past abided by the advice of the Department in this case and that he believed Mr. Cowden to be completely reliable.

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[3] For documentation regarding the ICPA proposal, see volume x.

INR files, lot 59 D 27, "Meeting Notes"

Notes on the Intelligence Advisory Committee Meeting, May 6, 1952 [1]

TOP SECRET [WASHINGTON,] May 7, 1952.

[Here follows discussion of the Fourth Progress Report on NSC 104/2, "U.S. Policies and Programs in the Economic Field Which May Affect the War Potential of the Soviet Bloc"; for text, see page 834. The minutes of the previous IAC meeting of April 24 were then amended and agreed to.]

3. Special Estimate 28: Consequences of the Future Revelation of the Contents of Certain Government Documents [2]

General Smith began the discussion on the agenda item by revealing that the terms of reference are in fact different from those under which the Working Group considered the problem. He said that the President had asked CIA both to prepare an estimate, and also to undertake to recommend a sanitized version of the report for release, since it is virtually certain that the report will get out in one way or another. Among other things, the administration is considering placing the report before the full Judiciary Committees of the Senate and the House. Smith said that the CIA estimators were given instructions to word their estimate in such a way that intelligence will not suffer when the expected revelation is made. Smith said that the estimators had identified approximately 12 to 14 paragraphs as particularly injurious. He expressed his view that the preparers of the report (whom he referred to as "a peculiarly oriented minority group in the FTC") have strongly implied in the way the report is written that private ownership and exploitation of natural resources in the manner revealed by the report is more dangerous to the American way of life than is anything emanating from the Soviet Union. It was the consensus of the meeting that (a) complete suppression of the report is impossible since it will unquestionably be leaked; (b) the official release of the complete report would be extremely injurious to U.S. interests in the Middle East and among our Western allies; and (c) the official release of a sanitized version, while damaging, is probably likely to result in slightly less harm. It was the consensus, further, that the release of a sanitized version would probably suit the FTC's and the Attorney General's purposes since they will of course have, in addition, the unexpurgated edition. The following sentence was agreed upon for addition after paragraph two on page two: "The estimated adverse effects could be mitigated to a certain extent by withholding from general release certain of the more damaging paragraphs which provide political ammunition for groups in the Middle East operating contrary to U.S. interests." It was also agreed that the final sentence under Scope in the estimate would have to be removed.[3]

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[1] Prepared by Howard Furnas of the Office of the Secretary of State's Special Assistant for Intelligence.

[2] A copy of the approved text of SE-28, which dealt with the consequences of the future revelation of the "Report of the Federal Trade Commission on the International Petroleum Cartel," was sent to President Truman under cover of a memorandum of May 8 from Director of Central Intelligence Smith. Both the covering memorandum and SE-28 are printed *infra*.

The IAC agreed to the estimate as amended.

[Here follow discussion concerning the distribution to IAC members of CIA intra-agency studies and documents and a report by the Office of National Intelligence regarding the ownership of certain Greek ships.]

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[3] No copy of the draft paper which was under consideration here was found in Department of State files.

Truman Library, Truman papers, PSF

Memorandum by the Director of Central Intelligence (Smith) to the President

TOP SECRET WASHINGTON, May 8, 1952.

There is attached a copy of SE 28 covering "Consequences of the Future Revelation of the Contents of Certain Government Documents," as approved by the Intelligence Advisory Committee at its meeting 6 May 1952.[1]

This paper, estimating the consequences for US foreign relations and for US strategic interests of the revelation of the contents of the two-volume study entitled "Report of the Federal Trade Commission on the International Petroleum Cartel," was prepared as a matter of urgency pursuant to the request made at the National Security Council meeting on Wednesday, 30 April.[2]

It is planned that final printed copies of this estimate will be forwarded to the National Security Council on Friday, 9 May.

WALTER B. SMITH

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[1] A record of the discussion at this meeting is printed *supra*.

[2] For the memorandum of discussion at this meeting, see p. 1263.

[Attachment]

Special Estimate[3]

TOP SECRET
SE–28

WASHINGTON, May 6, 1952.

CONSEQUENCES OF THE FUTURE REVELATION OF THE CONTENTS OF CERTAIN GOVERNMENT DOCUMENTS

THE PROBLEM

To estimate the consequences for US foreign relations and for US strategic interests of the revelation of the contents of the two-volume study entitled "Report of the Federal Trade Commission on the International Petroleum Cartel."

SCOPE

This estimate considers the consequences of the revelation of the contents of the subject report, whether by official publication or otherwise. The estimate does not consider to what extent the statements in the Report are accurate or already known, but solely the effect of their revelation, individually or collectively, as allegations made under the sponsorship of an arm of the US Government.

ESTIMATE

1. We estimate that official publication of this Report would greatly assist Soviet propaganda, would further the achievement of Soviet objectives throughout the world and hinder the achievement of US foreign policy objectives, particularly in the Near and Middle East, and would otherwise tend to injure US foreign relations and strategic interests, as more fully set forth below.

2. We believe that the manner of the revelation of the report's contents, otherwise than by official publication in full in its present form, would cause the consequences to differ only in degree from the consequences of official publication estimated herein. The adverse effects herein estimated might be mitigated to some extent

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[3] Special Estimates (SE's) were high-level interdepartmental reports presenting authoritative appraisals of vital foreign policy problems on an immediate or crisis basis. SE's were drafted by officers from those agencies represented on the Intelligence Advisory Committee (IAC), discussed and revised by interdepartmental groups coordinated by the Office of National Estimates of the Central Intelligence Agency (CIA), approved by the IAC, and circulated under the aegis of the CIA to the President, appropriate officers of Cabinet level, and the National Security Council.

by withholding from general release certain paragraphs which would particularly provide propaganda and political ammunition to Soviet and other forces in the Middle East opposed to the interests of the US.

3. *Assistance to Soviet Propaganda and to the Achievement of Soviet Objectives Throughout the World.* Publication of the report would:

a. Assist the USSR in pursuing its objective of dividing the West and specifically of driving a wedge between the US and UK, and between the US and other European nations.

b. Greatly assist Soviet propaganda designed to discredit the US and other Western Powers in the Near and Middle East, and further the Soviet objective of fostering and perverting to Communist ends the spirit of nationalism in that area.

c. Assist the current Soviet campaign to induce a relaxation of East-West trade controls, through distortion of certain allegations in the Report to support the propaganda argument that US and Western foreign trade practices are deliberately restrictive.

d. Assist the world-wide Soviet campaign to represent the US and other Western Powers as "imperialist" and "colonial" powers. This effect would be felt not only in the Near and Middle East but also in the countries of South and Southeast Asia and to some extent in Latin America.

4. *Specific Adverse Effects on the US Position in the Near and Middle East.* Publication of the Report would:

a. Further prejudice prospects for a settlement of the Iranian oil controversy, in particular by damaging, perhaps irreparably, the status of the US as mediator between the UK and Iran. Publication would thus contribute to the present economic deterioration and political instability in Iran, and increase opportunities for Communist subversion.

b. Assist forces in other oil-producing countries in the area which desire to alter present contractual arrangements with the international oil companies, and thus jeopardize the flow of oil, which is of great strategic importance to the US and its allies.

c. Harm the general position and prestige of the US and other Western Powers in the area, by providing propaganda ammunition not only to Communist elements but also to extreme nationalist and other anti-Western elements.

d. Raise doubts in the UK and France concerning US objectives in the Near and Middle East and possibly jeopardize coordination of overall policies for the area.

e. As a consequence of c. and d. above, reduce the prospects for achieving a Middle East defense organization.

f. Seriously embarrass certain governments in the area, both in their relations with the US and other Western Powers and in their internal political situations, thus increasing the likelihood of disorder and deterioration favorable to extreme nationalist and anti-Western elements, including Communists.

5. *Other Adverse Effects on US Interests.* In addition to the consequences listed above, publication of the Report would:

a. Tend to impair basic relations between the US and UK and to a lesser extent between the US and the Netherlands and between the US and France, to the detriment of US interests in all areas in which close cooperation with these powers is essential to the achievement of US security objectives. In addition to the proposed Middle East defense organization, this would apply to NATO and to efforts to achieve agreed policies in the Far East including Southeast Asia.

b. Tend to jeopardize US oil concessions in areas other than the Middle East and to jeopardize other US commercial and industrial interests abroad, including private mining arrangements in South America and elsewhere.

Truman Library, Spingarn papers, FTC International file

Memorandum for the File by Federal Trade Commissioner Stephen J. Spingarn

SECRET [WASHINGTON,] May 22, 1952.

I had lunch at the White House today with Charlie Murphy and Bob Dennison and we discussed the oil report. While at lunch, Murphy showed me a Special Estimate prepared by the Central Intelligence Agency (SE–28, of May 8, 1952 [1]) containing (without recommendations) CIA's estimate of the effect to be expected from publication of the report, i.e., its effect on other countries and our relations with them and its possible use as a propaganda theme by the Soviets. This estimate, which was classified top secret, takes a *very* serious view of the effects of publication. Murphy also showed me a letter of May 22, 1952 from General Smith,[2] classified secret, containing Smith's specific suggestions as to what passages of the report should be deleted if it is to be published so as to minimize repercussions abroad and Soviet use of it. From a quick reading of the letter, it was impossible to tell what was involved in these deletions without squaring them up against the report, but Murphy told me that generally they represented the elimination of material with respect to acts of skulduggery by the oil companies in dealing with other governments.

Murphy told me that he had had a number of calls from the Hill about the report, including calls from Senator Hill and Senator Hennings.[3] Murphy said that Hennings was angry at State for not replying to a letter of his asking why they were holding up release of the report. Murphy understands that State is replying today telling the Senator that they had communicated their views to the Federal Trade Commission on April 25,[4] but that Federal Trade Commission had taken the matter up with the President and the matter was, therefore, out of the State Department's hands. I gather from Murphy that Senator Hill thought there might be some value in publishing the report at this time.

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[1] *Supra.*

[2] Not found in Department of State files or at the Truman Library.

[3] Senator Joseph L. Hill (D.–Ala.) and Senator Thomas C. Hennings, Jr. (D.–Mo.).

Murphy said the President had talked to Secretaries Acheson and Lovett about the matter at lunch yesterday but apparently inconclusively or at least he has not made his mind up yet. With the approval of the President, Murphy is to talk to Lovett further on this.

Both Murphy and Dennison questioned me at some length as to Federal Trade Commission's reasons for making the report and the purposes which it was expected to serve.

Murphy told me that he felt he would have to go into the matter very carefully and said that he planned to hold a meeting on this with people from the interested agencies, which he would ask me to attend. Because of his heavy workload, he did not expect to be able to do anything further on the matter this week.

Upon my return to the Commission after lunch, I gave Chairman Mead the substance of the above information.

S[TEPHEN] J. S[PINGARN]

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[4] For Secretary Acheson's letter of Apr. 25 to Federal Trade Commission Chairman Mead, see p. 1261.

Truman Library, Murphy papers

The President to the Chairman of the Federal Trade Commission (Mead)

TOP SECRET [WASHINGTON,] June 5, 1952.

DEAR JIM: I have been giving further consideration to the question of publication of the report prepared by the staff of the Federal Trade Commission on the International Petroleum Cartel.

I realize that there are very strong reasons why the contents of this report should be made public. I myself made a survey of the cartel situation in the Second World War and found some very startling things in connection with some of the big oil companies. However, I believe that the publication of the report at this time would probably have very serious adverse effects upon our foreign relations. The reasons for this are stated in a report from the Central Intelligence Agency[1] which I am enclosing with this letter. Consequently, I am requesting the Commission not to make the report public at this time. However, I would have no objection to the contents of the report being made available to appropriate Congressional Committees on a classified basis.[2]

I am going to speak to the Attorney General about the possibility of presenting the facts in this matter to a grand jury. I think it is possible that this should be done and could be done without having such an adverse effect upon our foreign relations as would the publication of this report as an official Government document.[3]

Sincerely yours,

HARRY S. TRUMAN

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[1] Not found as an enclosure to the source text, but, according to a marginal notation, this is a reference to SE-28, "Consequences of the Future Revelation of the Contents of Certain Government Documents," p. 1272.

[2] In a letter to President Truman on June 12, Chairman Mead stated that he would comply with the President's request that the report not be published. A copy of this letter is in the Federal Trade Commission, Bureau of Industrial Economics files.

[3] On July 17, 1952, Attorney General James P. McGranery announced that a Federal Grand Jury would shortly begin investigating the activities of the international oil cartel. In August subpoenas were issued against 21 oil companies and a request was made for the impanelling of a grand jury.

811.2553/7-2552

The Chief of the Petroleum Policy Staff in the Office of International Materials Policy (Eakens) to the Petroleum Attaché in the United Kingdom (Moline)

SECRET [WASHINGTON,] July 25, 1952.
OFFICIAL–INFORMAL

DEAR ED: I have your note of July 15 enclosing the clipping from the *Financial Times*[1] on the Justice Department's consideration of an anti-trust indictment against the American oil companies.

With the Justice Department's entry into the problem and the publicity which has been given to Justice's action, we felt there were new reasons why we should consider letting the British see a copy of the FTC Report and we proposed to Mr. Thorp that this be done. After talking with Mr. Thorp, Schaetzel[2] held a meeting with Stan Metzger, Roger Dixon,[3] Bill McMaster and me at which we discussed at length the possibility of making the report available to the British for study. At the meeting, it was decided that before a copy could be made available to the British we would have to secure the approval of the FTC and the White House. It was also decided that in view of the back history of the problem, we were just not in a position to ask for this approval and that we would simply have to tell the British that the problem of making a copy available to them was so great that we were not able to do it. We decided to tell the British in addition that there still does not seem to be any likelihood that the report will be published, but if that a decision is made to publish it we will try to make a copy available to them a few days in advance, if this is possible.

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[1] Neither Moline's note of July 15 nor the newspaper clipping under reference here has been found in Department of State files.

[2] J. Robert Schaetzel, Special Assistant to Assistant Secretary Thorp.

[3] Roger C. Dixon, Chief of the Business Practices and Technology Staff.

I have informed Beckett[4] of the foregoing and presume that he has passed it on to London. I let him know at the same time that our commitment to do our best to make the report available to them a few days in advance may or may not be worth very much since the report might be made available to the public by the FTC at the same time it is announced that the report is being published. In any case, we could let the British see your copy at the same time that the report is released here, which would give them a copy about twenty-four hours earlier than they would be able to get one from here.

Under the circumstances, it does not seem to me that we are in any position to allow them to see your copy at this time. If there is any change in this position, I will let you know.

With best regards.

Sincerely,

ROBERT H. S. EAKENS

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[4] J. A. Beckett, Petroleum Attaché at the British Embassy.

Truman Library, Spingarn papers, FTC International file

Memorandum for the File, by Federal Trade Commissioner Stephen J. Spingarn

SECRET [WASHINGTON,] August 15, 1952.

Subject: International Petroleum Cartel Report

Yesterday, Thursday, August 14, Charlie Murphy asked me to come over to the White House for a conference about the publication of this report. I spent about an hour from 4:30 on with him and Admiral Dennison on this matter. They told me that the President had referred Senator Sparkman's letter[1] suggesting publication with certain deletions to the CIA and that conferences there had ensued with Walter Adams of Sparkman's staff, representing him, Bob Dennison and General Smith and members of his staff. As a result, specific deletions were agreed on between Adams and the CIA people and General Smith transmitted these to the President under cover of a memorandum of August 12[2] which I was shown. In this memorandum Smith stated that there had been some change in the situation since his agency's previous consideration of the matter at the direction of the President in May, that even with the deletions that he was transmitting, he expected that the report, if published, would be exploited in the Middle East by anti-American elements but that he thought the suggested deletions would minimize this exploitation.

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[1] The letter under reference here has not been further identified.

Murphy and Dennison said they wished to keep the President out of the matter as much as possible and, therefore, suggested the following procedure: Instead of the President sending the deletions transmitted to him by Smith to the Commission formally, they were handed to me with the suggestion that if the Commission could go along with these deletions, that it write a letter to the President saying that it was proposing these deletions itself to meet the security considerations raised in his previous letter of June 5 to the Commission,[3] and asking whether with these deletions, the President would approve the publication of the report at this time. Murphy and Dennison also expressed the hope that, if published, this would be done as a staff report rather than a Commission report, and that the publication would be made through the Sparkman Committee as part of its pending hearings on monopoly and small business rather than directly by the Commission. The theory behind these suggestions was that they would help to minimize the impact of the report abroad.

I said that the procedure suggested sounded reasonable to me but that I would have to present it to the Commission for approval and also that we would want the benefit of the judgment of our staff who prepared the report on how much damage to the value of the report would be done by the proposed deletions.

The first thing this morning, I had several copies of the proposed deletions made and gave them to Messrs. Edwards, Blair and Prewitt[4] with instructions to examine them and be ready to advise the Commission at a meeting later in the morning as to their views about the effect of the proposed deletions on the value of the report. I told Chairman Mead and Commissioners Carson and Carretta[5] about what had happened at the White House (Commissioner Mason is away on a vacation) and at my suggestion, the Chairman called a meeting at 11:00 at which Messrs. Edwards, Blair and Prewitt appeared and gave their views on the deletions. All three felt that under all the circumstances, the Commission would be well advised to accept the deletions in order to get the rest of the report published although Edwards felt much more strongly than Blair and Prewitt that extremely important material was being deleted. After the staff had left, the Commission unanimously agreed to the Chairman sending a letter to the President asking whether he would now approve release of the report with these deletions. I was also authorized to make arrangements with the Sparkman Committee for them to release the report after the Presidential clearance.

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[2] Not found in Department of State files or at the Truman Library.

[3] *Ante*, p. 1275.

[4] Corwin D. Edwards, Director of the Bureau of Industrial Economics, Federal Trade Commission; John M. Blair, Assistant Director of the Bureau of Industrial Economics; and Roy A. Prewitt of the Bureau of Industrial Economics.

I made arrangements with Walter Adams of Sparkman's staff for them to send us a letter (a draft of which I prepared and sent him) as soon as the President had approved release, requesting us to send them the report for release and as a basis for hearings at which our people would appear and explain the contents of the report.

I prepared a letter to the President for the Chairman's signature in accordance with the foregoing decision of the Commission and after Chairman Mead had signed it, I took it over to the White House together with a draft of a letter which I had prepared for the President's signature to Mead approving release of the report. I left these two letters with Bob Dennison. We attempted to get in to see the President but he had gone over to Blair House. However, Dennison told me he would see the President the first thing in the morning so we should get the clearance by Monday[6] at the latest.

[Here follow brief notes by Spingarn, dated August 16 and 18, which described further contacts with the White House and Senator Sparkman's staff regarding the details of the printing and release of the report.]

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[5] Albert A. Carretta.

[6] Aug. 18.

Truman Library, Spingarn papers, FTC International file

The Chairman of the Federal Trade Commission (Mead) to the President

SECRET [WASHINGTON,] August 15, 1952.

DEAR MR. PRESIDENT: I refer to your letter of June 5, 1952,[1] requesting that the Federal Trade Commission not make public at that time the report prepared by its staff on the International Petroleum Cartel because of your belief that the publication of the report at that time would have an adverse effect on national security. I replied to your letter on June 12[2] to advise you that the Commission would, of course, accede to your request.

More than two months have now elapsed since you wrote us on this matter. During this period, our staff has made a number of revisions in the draft report submitted to the White House, on the basis of which you wrote your June 5 letter. Some of these changes have been editorial in character and others have been made to incorporate more up-to-date material in the staff report. The foregoing changes have already been accomplished by the substitution of corrected pages in the copies of the staff report previously sent to the White House.

We now have also given attention to the security considerations mentioned in your June 5 letter and the Central Intelligence Agency's Special Estimate of May 8[3] which accompanied your letter. An attempt has been made to meet those security considerations by certain proposed deletions and revisions in the staff report. I enclose as Attachment A, dated August 15, 1952, a draft of the deletions and revisions which we suggest for this purpose.[4]

The purpose of this letter is to inquire whether, in view of the passage of time and any possible changes in the circumstances which may have prompted your letter of June 5, you would feel it appropriate to authorize the publication of the staff report at this time with the deletions and revisions specified in the Attachment.

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[1] *Ante*, p. 1275.

[2] Chairman Mead's reply of June 12 is not printed, but see footnote 2 to the President's letter, p. 1276.

[3] SE-28, "Consequences of the Future Revelation of the Contents of Certain Government Documents," p. 1272.

[4] Not printed. This 3-page attachment, entitled "Proposed Deletions and Acceptable Amendments in Staff Report of the Federal Trade Commission on the 'International Petroleum Cartel' ", contained 23 items with reference to a total of 71 pages of the 912 pages in the unpublished version of the report. Located in the Federal Trade Commission, Bureau of Industrial Economics files, is a 7-page undated paper, entitled "List of Deletions and Amendments to the Report on the International Petroleum Cartel," which lists the same items and gives page references to both the unpublished and published versions of the report. Attached to this paper are copies of the 71 pages in question from the unpublished report showing the material deleted or amended.

By direction of the Commission.

Sincerely yours,

JAS. M. MEAD

Truman Library, Spingarn papers, FTC International file

The President to the Chairman of the Federal Trade Commission (Mead)

SECRET [WASHINGTON,] August 15, 1952.[1]

DEAR MR. CHAIRMAN: I have given consideration to your letter of August 15th [2] about the release of the report prepared by your staff on the International Petroleum Cartel. You state in your letter that you have made an attempt to meet the security considerations with respect to this report which were discussed in my letter of June 5, 1952,[3] to you, and in the Central Intelligence Agency's special estimate of May 8th [4] which accompanied my letter; and you transmit with your letter proposed deletions and revisions in the staff report designed for this purpose. You inquire whether in view of the passage of time or any possible changes in the circumstances which may have prompted my letter of June 5th, I would now feel it appropriate to authorize the publication of the staff report at this time with the deletions and revisions which you have suggested.

I am glad to advise you that I would not object to the declassification and release of the staff report at this time if the deletions and revisions suggested by you are made.[5]

Sincerely,

HARRY S. TRUMAN

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[1] A handwritten note in the margin of the source text indicates the following: "This letter drafted by SJS [Stephen J. Spingarn] & taken to White House by him Friday Aug. 15 & given to Admiral Dennison. President signed this letter Sat. A.M., Aug. 16."

[2] *Supra.*

[3] *Ante*, p. 1275.

[4] *Ante*, p. 1272.

[5] The amended and abridged version of the staff report by the Federal Trade Commission on the International Petroleum Cartel was published on Aug. 22, 1952, by the Senate Select Committee on Small Business, under the chairmanship of Senator John Sparkman (D.-Ala.).

800.2553/9-352

Memorandum by Jeffrey C. Kitchen of the Executive Secretariat

SECRET WASHINGTON, September 3, 1952.

In his call on the Secretary last evening, Sir Oliver Franks spoke on the subject of "International Oil"—the recent Federal Trade Commission report. Sir Oliver's remarks were essentially a review of his recent conversation on the same subject with Acting Secretary Bruce.[1] In general, he made three points:

(1) He wondered whether it might be useful for the British Government to present a high-level request to the American Government that the investigation to be undertaken by the Justice Department be quashed. The Secretary said that he told Sir Oliver, as Mr. Bruce had previously, that this would not only be harmful but useless.

(2) Sir Oliver wondered whether the Grand Jury procedure would be pushed and concluded before the elections or whether the procedure might extend over a considerable period of time. The Secretary said he did not know but he expected that the proceedings would take a considerable period. He thought it was a question of the state of preparedness of the material which would be examined and that therefore the Grand Jury operation might extend over a longer period of time than that mentioned by Sir Oliver. The Secretary said he was quite certain that the proceedings as a whole would extend over quite a long period of time.

(3) Sir Oliver inquired whether any thought had been given by any other departments or agencies in the Government other than the Justice Department to the propriety of revealing certain documents which might be subpoenaed. The Secretary replied that this problem was under active consideration and that he felt quite certain that something would be done in this regard.

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[1] This conversation has not been further identified.

800.2553/9-1952

Memorandum of Conversation, by the Director of the Policy Planning Staff (Nitze)

CONFIDENTIAL WASHINGTON, September 19, 1952.

Subject: Problems of American Oil Company Operating Abroad

Participants: *State*
The Secretary
Henry A. Byroade
Paul H. Nitze

Arabian American Oil Company
Terry Duce
Fred Davies

Mr. Duce began the conversation by outlining the difficulties which his company and other American oil companies operating abroad were now in and foresaw in the future resulting from the Federal Trade Commission Report and the subsequent grand jury investigation. He said that the impression had been created that the U.S. Government considered the American oil companies as being criminals or potential criminals; that this was having an adverse effect upon their effectiveness; and that it might very possibly lead to a decision by the host countries to conduct investigations themselves as to the propriety of the actions of the oil producing companies.

Mr. Duce also referred to the problem created by the subpoena of all records and memoranda. These records included not only memoranda with respect to matters which were highly classified from the U.S. Government's standpoint, but also matters which would be extremely embarrassing to the host countries. The Saudi Arabians had made it clear that they would be much concerned if a particular memorandum concerning Sheik Abdullah were to be made public.

The Secretary pointed out that the question of classified documents was under active consideration and, he felt, that some appropriate procedure would be developed for meeting this part of the question.

Mr. Duce had with him a chart showing the oil reserves of various countries and their status as importing or exporting nations. He emphasized that the oil reserves of the Middle East were at least three times those of the United States; that the great majority of the peoples of the world lived in countries dependent upon imports of oil; that the population of countries that were large-scale exporters was relatively small. He said that the oil reserves in the Middle East were not only an important asset but, if one contemplated the alternative situation where they were under the control of the Communists, this would give them a very important trading asset with respect to all other countries that were dependent upon imports for their fuel supply. He went on to say that if no solution were found to the problem raised by the Federal Trade Commission Report, he thought it quite likely that developments would result which could completely undermine the position of American oil companies operating abroad. He thought that operations had already been affected, and that worse developments were to be anticipated.

There was some discussion of the Federal Trade Commission Report, it being pointed out that most of the matter dealt with referred to the 20's and the 30's—problems which had been subsequently dealt with. Mr. Duce said that ARAMCO had tried to keep the State Department fully informed as to its actions, but no one was in a position to tell them what to do or what not to do.

Mr. Duce said that he had been considering what could be done about this situation. He said he felt that there was some analogy to the situation existing within the United States in the period prior to 1924. At that time there was unrestricted competition between the states, accompanied by various abuses. At that time, President Coolidge had appointed a Commission, consisting of the Secretaries of War, Navy, Interior, and Commerce. This Commission had made various recommendations which had eventually resulted in the interstate oil compact and its accompanying machinery. Mr. Duce said he felt that the time might have come when it would be appropriate to contemplate some similar commission to look into the problems of the national interest with respect to the operation of American oil companies abroad.

The Secretary said that he also had been disturbed by the possible repercussions on our national interest of some of the consequences which might be expected to flow from the publication of the Federal Trade Commission Report. The British, among others, had registered their concern. He felt, however, that there were certain problems which should be considered in connection with Mr. Duce's suggestion. The first one of these was that useful action might be difficult prior to the election. In the heat of a campaign, either side might well make political capital out of whatever was done. Mr. Nitze said that even though this was undoubtedly a problem, he was not sure that something useful could not be begun.

The Secretary then raised a question as to the composition of any such commission. He wondered how useful a report by Cabinet officers could be whose terms of office were about to be expired. He also wondered whether a report by a commission, composed of outsiders appointed by this Administration, would be considered adequate by a subsequent Administration. The Secretary also said that a problem was presented by the relationship between the work of such a commission and the pending legal action. Clearly an investigation by a commission could not and should not infringe upon consideration of a case before the courts.

The Secretary then asked what issues such a commission might consider and what type of recommendation it was envisaged such a commission might make. At this point the Secretary had to leave temporarily to receive a visiting ambassador.

In the ensuing discussion, the following points were developed. A Commission might find that the operations of American oil companies abroad were affected with a public interest going beyond the range of interest of the anti-trust laws and affecting our security interests and our foreign relations. It might also find that certain of the problems involved, such as the relative rates of developments of one producing country as against another, the continued assurance of adequate supplies to consuming countries, and the general price relationships of oil and oil products at various locations affected the national interest of other countries in addition to those of the U.S. to such a degree that international arrangements rather than purely national ones might be required to adequately deal with the subject.

Mr. Duce said that he felt that the American oil companies would be prepared to make all information available to any commission which might be appointed and would fully cooperate with any recommendations which were made.

After the Secretary returned to the meeting, there was some discussion of other elements which bore upon the current situation of American oil companies operating abroad, including the MSA suit [1] and the developments in Iran. With respect to the MSA suit, Mr. Duce said that he would prefer not to discuss the matter since his company was one of the companies involved. With respect to Iran, the Secretary asked Mr. Duce how much oil he thought Iran would be able to sell in the absence of a settlement with AIOC. Mr. Duce felt that they might be able to sell between 100—150,000 barrels per day, but he thought this would take a considerable period of time.

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[1] On Aug. 22, 1952, the Department of Justice filed three civil suits in the U.S. District Court in New York to recover more than $67 million from four American oil companies and six subsidiaries which it accused of overcharging the Economic Cooperation Administration and the Mutual Security Agency for Middle East oil delivered to Marshall Plan countries between May 1949 and June 1952.

811.054/10-652

Memorandum of Conversation, by the Under Secretary of State (Webb) [1]

CONFIDENTIAL WASHINGTON, October 6, 1952.

Subject:
1. Dutch Security Apprehensions regarding the Justice Department's Anti-Trust Action Against the International Oil Cartel.
2. EDC Ratification
3. France and the Tunisian Case in the UN.

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[1] Drafted by Roswell D. McClelland of the Office of Western European Affairs.

Participants: Dr. J. H. van Roijen, Netherlands Ambassador
The Under Secretary
L/E—Mr. Metzger
WE—Mr. McClelland

Ambassador van Roijen said that he wished to speak about the anti-trust litigation between the U.S. Justice Department and the international oil concerns. He recalled that Dr. Luns had raised the matter with the Secretary in their conversation of September 10,[2] particularly its impact in Indonesia. The Ambassador said he was instructed to reiterate his Government's "grave concern" regarding these developments, and to express their fear that the disclosure of information regarding the operations of these oil companies outside of the U.S. and Europe might result in strategic impairment to the Netherlands. His Government was especially concerned, the Ambassador emphasized, over the position of Royal Dutch Shell in Indonesia. There was already tangible evidence of the difficulties which could arise from the U.S. action. The Indonesians, for example, having agreed to a date on which discussions were to be held with the Dutch regarding various oil property financial arrangements, had immediately pulled back when the news of the U.S. anti-trust action broke and had postponed further action indefinitely. Given the existing strong opposition in the Indonesian Parliament to the oil companies, the levelling of an official accusation in the United States against these concerns for illegal acts made the position of the Indonesian Government doubly difficult.

Ambassador van Roijen went on to say that he had been instructed, secondly, to tell us confidentially that the Netherlands Government was seriously considering what measures should be taken to prevent their oil companies from handing over documents which might prejudice national security interests. He said that his Government hadn't yet decided what course to adopt. It was not yet certain whether they would follow the procedure of sending a letter to the oil companies requesting them not to surrender documents used by the British in the Anglo-Iranian case. He was inclined to think, however, that the Netherlands Government might go even farther and pass a decree forbidding the companies to do so.

I replied that we had taken it for granted that sooner or later the Dutch would be in to see us on this matter. We had already had numerous approaches by U.S. and British oil concerns. The Department was, of course, well aware of the serious international complications which could result from the Justice Department's action. With respect to the release of documents, I told the Ambassador that while we recognized its serious implications, I was afraid that our courts would sustain the subpoenas. It was my understanding, I added, that to date no Dutch concerns, properly speaking, had been subpoenaed, but only the Asiatic Petroleum Corporation, which was a United States concern.

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[2] A memorandum of this conversation is in the Secretary's Memoranda, lot 53 D 444, "September 1952".

The Ambassador confirmed the correctness of my statement, adding that he believed Royal Dutch Shell maintained only a representational office in the United States and did not operate here as such. Dr. van Roijen noted that a complicating factor in this respect, nevertheless, was that one of the directors of Asiatic Petroleum, Mr. Wilkinson, was also a director of Royal Dutch Shell.

In response to my query, Mr. Metzger explained that the arguments of the oil concerns to quash the subpoenas would be concluded today, and that the court was expected to render a decision later on in the week. Mr. Metzger went on briefly to describe the nature of the subpoenas served on Asiatic Petroleum, and emphasized that as yet no Dutch concerns were directly involved.

Ambassador van Roijen remarked somewhat wryly that although this might, in fact, be correct, the subpoena against Asiatic Petroleum was obviously only a first step.

I observed that this also could be taken for granted. The Ambassador then described laughingly the position of a common Dutch acquaintance of ours who was at present in Canada, and who, he said, had no intention of setting foot across the border under present circumstances.

I told the Ambassador that unfortunately there was almost nothing I could say at the moment about this whole affair. We had, of course, assumed in advance that the Dutch would be making representations to us regarding Royal Dutch Shell. Ambassador van Roijen rejoindered that he hoped very much some way could be found to safeguard Netherlands security interests in respect to the action against these companies. I told him we hoped that some screening of the documentary material to be presented could be carried out, but that I could give him no definite assurances on this score. Unquestionably the whole matter had dangerous aspects.

The Ambassador reacted promptly and with obvious interest to my mention of the possibility of screening, and wondered how much could be done in this respect. I told him that depended, of course, on just how the Justice Department made its case. The Department of State had no legal right to intervene, but, at most, the possibility of perhaps bringing some moral pressure to bear. Mr. Metzger observed that the Department could, for example, call attention to any evidence involving extreme security considerations. I remarked that what might affect security, however, might be quite different from information which could have very unpleasant political repercussions. About the only comfort I could give the Ambassador, I said, was to state that we are greatly concerned regarding the potential effects of this action on our own foreign policy. We also realize that it complicates the Indonesian situation.

[Here follows discussion of the European Defense Community and the Tunisian question at the United Nations.]

811.2553/10-2953

Memorandum of Conversation, by the Deputy Assistant Secretary of State for Economic Affairs (Linder)

CONFIDENTIAL WASHINGTON, October 29, 1952.

Subject: "Oil Cartel"—Federal Anti-Trust Suit.

Participants: James Terry Duce, ARAMCO
Paul H. Nitze, S/P
Harold F. Linder, E

Mr. Duce came in to give us a little of the background relating to his letter to the Secretary of Interior and accompanying memorandum.[1] After his talk with the Secretary some time ago,[2] he called on Mr. Lovett, who agreed that action needed to be taken and Mr. Sawyer, who concurred, and then on Mr. Steelman. The last took the position that a mistake had been made in proceeding with the suit and that he thought that the Secretary of the Interior was the proper man to bring the matter forcefully to the attention of the President. Mr. Chapman stated that he had not been consulted when the decision was made to proceed with the suit and he undertook to present his views, which coincided with those of Mr. Duce, to the President. The Secretary of Interior requested Mr. Duce to prepare a background memorandum and a letter which might be addressed by the President to the Secretaries of State, Defense, Interior and Commerce. He also suggested that Mr. Duce might wish to undertake to prepare an executive order. This, in addition to the paper submitted, is in the course of preparation.

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[1] This is a reference to Duce's letter of Oct. 23 to Secretary Chapman and his attached five-page memorandum arguing the need for the establishment by the President of a special commission to investigate the oil industry. Copies of the letter and the memorandum, as well as a copy of a draft letter which Duce had prepared for the President to send to the Secretaries of State, Defense, the Interior, and Commerce announcing the formation of a "National Oil Policy Board," were attached to a covering memorandum of Oct. 24 from Philip H. Watts of the Policy Planning Staff to various officers in the Department of State. (800.2553/10-2452)

[2] This is apparently a reference to the conversation on Sept. 19, a memorandum of which is printed on p. 1282.

Mr. Duce stated that he did have some degree of concern about the reaction of the domestic oil industry were the suit to be dropped and plans to talk to Mr. Russell Brown who represents the Independent Petroleum Association. He hopes to convince Brown that the procedure recommended will be in the long-run interest of his clients. Mr. Nitze asked Mr. Duce whether his principals were fully aware of this proposal and approved it, to which Duce replied that they were aware but not committed. (Admiral Kelly, Washington representative of Socony-Vacuum sent me the papers prepared by Mr. Duce, so one can assume that the parents of ARAMCO approve.)

After Mr. Nitze had indicated our concern with the international repercussions of the suit, he said that we nevertheless, as Government servants, were charged with upholding U.S. laws. To this Duce replied that he for one had always favored the elimination of practices which could properly be construed as violations of our own law.

S/S-NSC (Miscellaneous) files, lot 66 D 95, NSC 138 Memoranda

Memorandum by the Deputy Assistant Secretary of State for Economic Affairs (Linder) to the Acting Secretary of State [1]

CONFIDENTIAL [WASHINGTON,] December 16, 1952.

Subject: NSC 138 [2]

Problem

To determine a Department position on NSC 138.

Discussion

NSC 138 was prepared and submitted to the Council by the Secretary of the Interior who is also the Petroleum Administrator for Defense.

A summary of the paper is attached as Annex I.

The main points of the paper are:

1. Oil from Venezuela and the Middle East is indispensable to the free world both in peace and war.

2. The consequences of the premature publication of the FTC oil cartel report and the grand jury investigation of the operations of

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[1] The memorandum was sent through the Counselor of the Department of State, Charles E. Bohlen, to the Acting Secretary.

[2] Not printed; NSC 138, a 45-page report by the Secretary of the Interior and Petroleum Administrator for Defense Chapman on "National Security Problems Concerning Free World Petroleum Demands and Potential Supplies," dated Dec. 2, 1952, was circulated to the National Security Council under cover of a memorandum of Dec. 8 from Executive Secretary of the NSC Lay. (S/S-NSC (Miscellaneous) files, lot 66 D 95, NSC 138 Memoranda)

the international oil companies have been catastrophic and could lead to the expulsion of United States and United Kingdom oil companies from Venezuela and the Middle East and the loss of oil from those sources to the free world.

3. National security considerations require that nothing should be allowed to interfere with the free flow of petroleum and petroleum products from Venezuela and the Middle East.

4. A reexamination of the acts that have been taken in these matters is required from the standpoint of national security.

Based upon these considerations, the paper recommends that State and Defense each give its appraisal of these suggestions and their recommendations for dealing with these problems. The paper also suggests that State no doubt has more complete reports concerning foreign public reactions and will undoubtedly be able to furnish additional information on these reactions.

The Department is now making a broad study of the current international petroleum situation. The study will determine whether, and, if so, to what extent, the national interest is being endangered by the effects of the FTC oil cartel report, the grand jury investigation of the operations of the international oil companies, and the suit to recover alleged over-charges on sales to ECA/MSA of Middle East crude oil.[3] The study will recommend the policies which seem to be required to promote the international objectives of the United States in regard to petroleum. About two weeks will be required for its completion.

It would seem that the Department could take either of two courses of action at this time in regard to NSC 138: (1) It could report that it is already studying the problems raised by NSC 138, and will, as soon as its study is completed, submit a report and its recommendations to the Council, or (2) it could recommend that the Senior Staff appoint a committee of State, Defense, and PAD to make the study and prepare the recommendations called for by NSC 138. State could then make its study available to the committee.

The latter course is preferable. The problems at issue are properly matters which are primarily the concern and responsibility of Defense, PAD, and State. Recommendations to the Council on security and international petroleum issues should therefore come from these three agencies. The Justice Department should be responsible for explaining the anti-trust and domestic aspects of the problem.

Recommendation

1. The Department should take the position that the issues raised in NSC 138 should be referred to a special committee of State, De-

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[3] See footnote 1 to the memorandum of conversation, Sept. 19, p. 1285.

fense, and PAD for study and recommendation to the Council. Attached is a draft (Annex II) of an NSC action to present to the Council for adoption.

2. The Department should not reveal, either in Senior Staff or in the Council, the fact that it has had a study of this problem under way, but should be prepared to make the study available to the committee suggested in recommendation 1 if this committee is established.

Annex I

Paper Prepared in the Department of State

CONFIDENTIAL [WASHINGTON, undated.]

SUMMARY OF NSC 138

1. Petroleum is indispensable in peace and war.

2. The Petroleum Administration for Defense (PAD) is responsible for ensuring to the U.S. an adequate supply of petroleum in all circumstances. The Petroleum Administration for War (PAW) successfully accomplished this objective in World War II, and PAD has done so in the existing emergency.

3. Demand for petroleum since World War II has increased about 14 per cent a year abroad and 7 to 8 per cent yearly in the U.S. Demand will continue to increase but at a slower rate than during the years since World War II. 90 per cent of European requirements will have to be supplied from the Middle East and Venezuela. The U.S. will be short 2.5 million barrels daily in 1975; Venezuela will have a surplus of only 1.3 million barrels daily at that time; hence in 1975 the U.S. will have to be importing 1.2 million barrels daily from the Middle East.

4. The free world now has a 11.5 to 1 advantage over the USSR and its satellites from the standpoint of oil supplies; the loss of the Middle East and/or Venezuela would materially alter this ratio to the disadvantage of, if not catastrophically to, the free world.

5. The report discusses the history of the entry of American oil companies with the Middle East and their current ownership of a majority of the 52 billion barrels of oil reserves in the Middle East. By comparison U.S. reserves are 32 billion barrels and those of Venezuela 10 billion barrels.

6. The report discusses the FTC report entitled "The International Petroleum Cartel" at length and makes the following points in regard to it:

(a) It was a staff report that was never approved by any member of the FTC.

(b) Foreign governments, the foreign press, and left wing groups have interpreted the FTC Report as an action of the U.S. Government.

(c) Evidence is cited to show that the effects of the release of the FTC Report and the grand jury investigation on U.S. petroleum interests abroad have been seriously damaging.

(d) Expulsion of U.S. and British interests from the Middle East would mean the eventual loss of Middle East oil to the free world.

(e) The Department of State undoubtedly has more complete reports concerning foreign public reactions [to the FTC Report and the grand jury investigation][4] and will undoubtedly be able to furnish additional information.

(f) Expulsion of American interests from the Middle East, the Far East or Venezuela can serve the cause of no one but the Communists.

(g) While officials in Arab countries may distinguish between the U.S. Government and the American oil companies, the Arab in the street is not likely to do so. Certainly Communist agitators will not do so. Condemnation of Americans in those countries will inevitably adversely affect this Government.

(h) It is apparent from the press statements quoted that the reaction to the premature release of the FTC Report and impaneling of the grand jury has been intense.

(i) Loss of Venezuelan and Middle East petroleum resources for any reason would be catastrophic.

7. Consequences of FTC release and impaneling of grand jury "remain catastrophic and compel reexamination of the acts taken from the standpoint of national security. Certainly all would agree that the interests of national security in this tinder box would transcend all other considerations."

8. It may well be that the interests of national security will be affected by results stemming from the FTC Report and the grand jury investigation. Undoubtedly the Secretaries of State and Defense can provide authoritative comment on these matters.

9. The National Security Council is the proper and most appropriate forum to view this matter and to recommend to the President the course of action required by the over-riding, all important considerations of national security.

10. In the interest of national security nothing should be done to interfere with the free flow of petroleum and its products from these surplus production areas, i.e. the Middle East and Venezuela, to the free friendly foreign nations of the world.

11. The Departments of State and Defense are perhaps better able to evaluate subject matter of this memorandum. "It is suggested that the Department of State and the Department of Defense

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[4] Brackets in the source text.

each give its appraisal of these suggestions with their recommendation for dealing with these problems."

Annex II

Paper Prepared in the Department of State

CONFIDENTIAL [WASHINGTON, undated.]

[DRAFT MOTION TO BE PRESENTED TO THE NATIONAL SECURITY COUNCIL]

The National Security Council notes the memorandum of December 8, 1952 by the Secretary of Interior and Petroleum Administrator for Defense (NSC 138) and welcomes the initiative undertaken in raising the security and international political problems implicit in the current petroleum situation. The Council requests the Departments of State, Defense, and Interior (Petroleum Administrator for Defense) to prepare a study and recommendations on the security and international issues arising from the current situation. The study should, if possible, be completed by January 5, 1953, and the Department of Justice should be asked simultaneously to furnish a report to the Council on the domestic and legal aspects of the problem.[5]

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[5] The source text contains the following handwritten notation: "State to take coordinating job if others suggest it." Also written in the margin is the following notation: "(Orally) CIA should be requested to prepare a Special Estimate on the effects abroad of the pending proceedings for the use of the Committee."

880.2553/2-154

Intelligence Report Prepared by the Office of Intelligence Research [1]

SECRET [WASHINGTON,] December 17, 1952.
No. 6104

FOREIGN IMPACT OF RECENT UNITED STATES ACTIONS IN THE FIELD OF PETROLEUM

PART I—SUMMARY AND CONCLUSIONS

Recent U.S. Government actions bearing on the international activities of the oil industry could evoke reactions abroad affecting U.S. foreign policy with respect to petroleum. These actions include the Federal Trade Commission's report on an alleged international oil cartel, the anti-trust suit of the Department of Justice against certain oil companies, the Mutual Security Agency's suit through the Justice Department against certain American oil companies for overcharging on Middle East oil sales and the decision by that agency to cease financing most purchases of crude oil. Accordingly inquiries were addressed to 54 U.S. foreign service posts instructing them to report responses of governments, the business community and foreign government officials to these actions. The posts were specifically directed to report only upon information acquired in the ordinary conduct of business and *not* to initiate any inquiries. Most of the posts reported either no reaction at all or only limited straight news coverage in the local press. Those responses which contained significant information have been summarized individually in Section II of this paper and an evaluation of the effects of these activities summarized for the major geographic regions is in the following paragraphs.

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[1] The following statement appears on the title page of the report: "This is an intelligence report and not a statement of Departmental policy."

The responses indicate that the aforementioned U.S. actions apparently have not thus far evoked any marked reaction outside of the United States. However, a number of posts and various of their sources of information believe that further reactions may come later, after the FTC report achieves wider circulation and possibly depending on the handling of these matters by the new Administration.

Nature of Reactions

The repercussions have principally been in the nature of comments in the foreign press or reactions of oil company officials abroad. No significant official comments have been reported in any of the countries canvassed except the United Kingdom, the Netherlands and Saudi Arabia. These related to the submission of company records in foreign countries in response to subpoenas issued in the U.S. In addition the French Government expressed concern over the possible effect of the anti-trust suit on the operation of companies in which the French have interests. Even in the press active interest in the several U.S. actions has been restricted to a relatively few countries—mainly Venezuela and the United Kingdom—and in none of these do the reactions appear to have affected U.S. interests adversely so far.

Attention has focused mainly on the release of the FTC report and on the anti-trust suit. The MSA suit and the termination of oil financing have attracted less notice. The FTC report is generally considered to be an official U.S. Government pronouncement and in many instances no distinction is made between the report and the Justice suits. Interest in the several actions has generally been closely correlated with, and to a great extent can be traced to press coverage of the topics in the United States. The foreign reaction to date has apparently been inspired more by U.S. news accounts, disseminated abroad via wire services, than by the FTC report per se. These news accounts, many of which have apparently been inspired by statements from the oil companies in the U.S. have undoubtedly contributed to some of the unfavorable comments. The reactions of the oil companies in the U.S. to to the FTC report, the MSA and Justice Department suits; attempts to quash subpoenas directing companies to produce documents in the anti-trust suit; predictions of unfavorable foreign reactions; etc., have been widely quoted abroad and appear to have been accepted at face value. On the other hand, the contents of the FTC report have yet to figure prominently in press analysis in any of the oil producing countries abroad. Except in the United Kingdom and Venezuela, there have been virtually no instances reported to date where portions of the document have been specifically quoted in the press.

Middle East

In the Middle East, possibly the most sensitive area involved, repercussions have been neither highly significant nor altogether unfavorable to the U.S. Whereas the issues have been featured as straight news coverage in some countries, only sparse editorial comment has been noted. The Communist, left-wing and extreme nationalist newspapers have provided some unfavorable comment but for the most part have failed to sensationalize the issues. Some apprehension has been expressed in the Middle East that successful anti-trust action against the companies might result in a decrease in oil revenues to the Arab States. On the issue of petroleum prices the Arab press is inclined instinctively to side with the companies. However, no official reaction has yet been reported from any of the Middle East countries, other than an expression of concern by the Saudi Arabian Ambassador in the U.S. over the submission of documents in the anti-trust suit.

Western Europe

In Western Europe reaction has been principally confined to the United Kingdom, France and the Netherlands. In the other countries the Justice suits and the release of the FTC report have been given varying degrees of straight news coverage but virtually no local comment, press, official or otherwise, has been reported.

In the United Kingdom, both the anti-trust action and the FTC report have been thoroughly covered in the press—generally in an unfavorable vein. The report has been summarized in the British petroleum journals and quoted in the press. Much of the local comment reveals a lack of sympathy for U.S. anti-trust laws and current U.S. actions against the companies—particularly where British companies are involved.

The only official action to date has been the British Government's instruction on October 2, 1952[2] to British oil companies under U.S. subpoenas not to submit records of their operations "which are not in the United States of America and which do not relate to business in the United States, or to give information which does not relate to business in the United States without in either case the authority of Her Majesty's Government". The British Government on November 29 specifically confirmed that the letter of instruction to the Anglo-Iranian Oil Co. was an official act of the British Government.

In the case of France there has been straight news coverage of the issues but only limited local comments. The French Government on November 12[3] informed the State Department through the French Embassy that the French Government is concerned over possible consequences of the anti-trust action as they might relate to companies in which French interests are involved—especially the Iraq Petroleum Company. The opinion was advanced that the suit may jeopardize existing agreements between companies in the Middle East, including French companies, as well as disturb the political and economic equilibrium of that region. The French indicated that they would welcome a decrease in petroleum prices.

The Government of the Netherlands notified the Department of State on December 3, 1952[4] that it considers subpoenas that would in effect collect evidence from Netherlands companies in a suit against American companies, an infraction of Netherlands sovereignty. That Government further indicated that it will not allow any documents listed in the subpoena to be removed from the country and that Netherlands companies would be held accountable under Netherlands law for their actions in this respect.

Western Hemisphere

In the Western Hemisphere the most significant reaction outside of the United States has come from Venezuela where the release of the FTC report and the anti-trust suit have caused considerable unfavorable press comment. Our Embassy believes that the operations of the companies have not been affected thus far. However, it may be that the several U.S. actions will touch off a government investigation of company activities, especially in the pricing field.

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[2] A copy of the letter sent by the British Minister of Fuel and Power to certain British oil companies on Oct. 2 is in file 800.2553/10–752.

[3] An unofficial translation of the informal *aide-mémoire* of Nov. 12 from the French Embassy is in file 800.054/11–1252.

[4] A copy of the *aide-mémoire*, dated Dec. 4, 1952, is in file 800.2553/12–452.

Elsewhere in the Western Hemisphere there have been no significant repercussions although the issues have been carried in the press of a number of countries as straight news items with occasional local comment. There has been no official reaction reported anywhere in Latin America to date.

Soviet Bloc

Reports were not requested from posts in the Soviet Bloc countries, but the usual intelligence sources have not yet revealed that the USSR or any of the satellite countries have played up the cartel theme propaganda-wise to any appreciable extent. A survey of material monitored by the Foreign Broadcast Information Service has uncovered only two articles by TASS on the alleged cartel and one propaganda broadcast beamed to the Middle East from Radio Baku. The Communist, left-wing and extreme nationalist press outside of the Soviet Bloc have generally not given the cartel issue more than nominal attention.

Prospects for Further Reaction

Despite the mild foreign reaction so far it cannot be assumed that no further repercussions will take place. When the FTC report has been more widely disseminated throughout the world and its contents digested it may evoke considerably more response official or otherwise than it has thus far—especially in the oil producing countries. Oil company officials abroad are generally reported as feeling that there is nothing in the FTC report that is not already known to the governments of the countries where they are located. However, oil men in some producing countries in Latin America and the Middle East have expressed the opinion that the adverse publicity occasioned by the release of the FTC report and by the anti-trust and MSA suits may cause some of these countries to undertake an investigation of the activities of the industry in their respective areas. They also fear that some governments may attempt to use the cartel issue as a lever to extract more advantageous financial concessions and that the trend toward nationalization in some countries may be stimulated. Reports from France and Israel indicate that some oil consuming countries may attempt to use the FTC report and the Justice Department suits to substantiate charges that the companies are charging exorbitant prices for petroleum imports. Press comment in a number of countries has implied that the release of the FTC report and the instigation of the Justice Department suits were politically inspired and that the issues would probably be dropped by the incoming administration in the U.S. Meanwhile both the private and official attitude in many countries appears to be to wait for further developments in the United States. It is believed that if the Justice Department continues to press the several suits after January 20, official reaction, which to date has been conspicuously absent in the major oil producing countries, may begin to manifest itself. Experience thus far suggests that the intensity of foreign interest in future developments in the Justice Department suits, as well as in the cartel issue in general, will probably continue to be greatly influenced by the degree and nature of coverage of these topics in the U.S. press.

[Here follows Part II, a 21-page analysis on a country-by-country basis.]

Truman Library, PSF-Subject file

Memorandum of Discussion at the 127th Meeting of the National Security Council on Wednesday, December 17, 1952[1]

TOP SECRET

The following notes contain a summary of the discussion at the 127th Meeting of the National Security Council, at which you presided. The Vice President was unable to attend the meeting because of his absence from the city. Under Secretary Bruce attended for the Secretary of State, and Deputy Secretary Foster attended for the Secretary of Defense. Mr. Harriman was unable to attend because of his absence from the city.

[Here follows an oral briefing on the military situation in Korea given by Major Richard Rule, USAF.]

2. *National Security Problems Concerning Free World Petroleum Demands and Potential Supplies* (NSC 138; NSC 97/2; NSC 136/1; NSC 129/1[2])

Following the briefing on the situation in the Far East, the President observed that the "oil situation" was the most important

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[1] This memorandum, presumably prepared on Dec. 17 by the Secretariat of the NSC, was addressed to the President. According to the minutes of the meeting, which consist of a list of the participants and a brief list of the decisions taken at the meeting, the following members of the Council attended: President Truman, presiding, Under Secretary of State Bruce, Acting Secretary of Defense Foster, and Chairman of the National Security Resources Board Gorrie. Others present at the meeting included Acting Secretary of the Treasury Foley, Director of Defense Mobilization Fowler, Secretary of the Interior Chapman, Secretary of Commerce Sawyer, Murray and Emmerglick of the Department of Justice, Special Consultant to the President Souers, Chairman of the Joint Chiefs of Staff Bradley, Director of Central Intelligence Smith, J. Patrick Coyne of the NSC Staff, Maj. Richard Rule (USAF) and Cmdr. R. M. Niles (USN) of the staff of the Joint Chiefs of Staff, NSC Executive Secretary Lay, and NSC Deputy Executive Secretary Gleason.

[2] NSC 138, a report to the NSC by the Secretary of the Interior and Petroleum Administrator for Defense Chapman on "National Security Problems Concerning Free World Petroleum Demands and Potential Supplies," is not printed. A summary

Continued

matter on the Council's agenda for this meeting, and asked Secretary Chapman if he had any further comments to supplement his memorandum to the Council.

Secretary Chapman asked leave to give the members of the Council a brief presentation which he had prepared. He first discussed the oil situation in the United States in order to provide a basis for comparison with the Middle East, Latin America, and other large oil-producing areas. Citing figures on United States oil reserves, and citing statistics to indicate the enormous increase in military consumption since World War II, Secretary Chapman emphasized the falseness of any claim that the United States can be self-sufficient with respect to its oil supply. Turning to a map of the Middle East area and its oil fields, Secretary Chapman noted that while the production of petroleum in the United States was still larger than the total production of the rest of the world, there were vast oil reserves in the Middle East which far exceeded what our geologists deduced to be the extent of our own reserves. As an illustration, Secretary Chapman noted that a single 65-mile stretch in this area contained an estimated reserve of 60 billion barrels. To add urgency to the situation he was describing, Secretary Chapman pointed out that the great Abadan refinery was only 650 miles by road from the Caspian Sea. Contrary to views widely held in the past, his geologists were convinced that at least a 14-inch pipeline could be laid between these two points in a matter of months. Thus it would be possible for the Soviet Union to acquire extensive amounts of oil from this region.

In conclusion, Secretary Chapman again stressed the fact that the reserves in this area were much greater than those known in any other part of the world, and that it would be very serious indeed for the free world if these reserves were lost to it. The United States could not, he insisted, supply Europe with what it needed even in peace-time, to say nothing of the intensified demands in the event of war. Thus the current trend toward nationalization of oil industries in the Middle East and Latin America was a serious cause of concern to the United States, and might cost us our concessions.

The President then turned to Secretary Bruce for his views on Secretary Chapman's memorandum.

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of NSC 138 is attached as Annex I to the memorandum of Dec. 16 from Linder to Bruce, p. 1291. For text of NSC 97/2, "A National Petroleum Program," dated Dec. 13, 1951, see *Foreign Relations,* 1951, vol. I, p. 978. For text of NSC 136/1, "U.S. Policy Regarding the Present Situation in Iran," dated Nov. 20, 1952, see volume X. For text of NSC 129/1, "U.S. Policies and Objectives With Respect to the Arab States and Israel," dated Apr. 24, 1952, see volume IX.

Secretary Bruce said he simply desired to endorse heartily Secretary Chapman's memorandum and the elaboration he had just given. The State Department, Secretary Bruce added, was seriously worried about what is taking place and what may occur in the future. He therefore desired to present to the Council a possible form of action to meet the situation. After reading his motion,[3] Secretary Bruce added that it might also be desirable to request the Central Intelligence Agency to prepare a special intelligence estimate on the probable effects of the FTC report, the current anti-trust suit, and other developments as they affected the situation abroad.

Secretary Foster said that he also endorsed the Secretary of the Interior's report, especially as it bore on the problem of military security. He agreed also, he said, with the form of action proposed by Secretary Bruce, but stated his belief that it might be necessary, in view of the seriousness of the situation, for the Council to recommend action prior to the date, January 5, on which the reports envisaged by Secretary Bruce's motion were to be completed.

Stating his belief that, in the words of Secretary Chapman's report, the situation could become "catastrophic", Secretary Foster wondered if it were not desirable to suggest to the Department of Justice immediate steps to put an end to the situation which was being aggravated by the anti-trust suit. In any event, he concluded, we must urgently take a new look at this situation.

The President then asked Mr. Emmerglick to state his views.

Speaking for the Attorney General, Mr. Emmerglick said that he was opposed to the motion which Secretary Bruce had recommended to the Council. Indeed, he continued, the Department of Justice was opposed to any review of the decision which had been taken by the President on June 23, 1952 which had initiated the current legal proceedings against the oil companies. Apart from the propriety of a review of the Presidential order, which could scarcely lead, said Mr. Emmerglick, to anything but a reversal, Justice was opposed to the review and re-examination recommended by Secretary Bruce for six factual reasons.

First of all, said Mr. Emmerglick, he insisted that Secretary Chapman's report admitted the substantial accuracy of the case presented in the report of the Federal Trade Commission. It was on this FTC report that the Grand Jury investigation was based. A cartel had most certainly been organized, and it was the duty of the United States Government to investigate its development and powers.

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[3] For a draft of this motion, attached as Annex II to the memorandum of Dec. 16 from Linder to Bruce, see p. 1293.

Secondly, continued Mr. Emmerglick, Secretary Chapman, on November 12, and his Deputy Administrator for Petroleum, had made speeches,[4] from which Mr. Emmerglick quoted, to indicate the insufficiency of United States oil reserves. It seemed quite likely to Mr. Emmerglick that the reason our reserves were so inadequate was because the world cartel was deliberately slowing up the development of United States resources in order to obtain advantages to itself by the importation of foreign oil supplies. At any rate, said Mr. Emmerglick, he was sure that a Grand Jury investigation was necessary to determine the relationship between our own inadequate reserves and the operations of the cartel.

Furthermore, continued Mr. Emmerglick, he was aware of no new facts set forth by the Secretary of the Interior which seemed to recommend any reversal of the President's early decision.

Finally, said Mr. Emmerglick, it was the vigorous opinion of the Attorney General that the President should not be placed in a position of reversing himself.

In reply, Secretary Chapman reiterated his strong belief that the United States must obtain oil from areas outside the country.

Mr. Emmerglick did not deny this contention, but insisted that the prosecution of the anti-trust suit would not prevent this.

Secretary Chapman said he felt compelled to disagree, and that the present suit was obviously giving impetus to difficulties this country was facing abroad. He was not objecting, he said, to the Government's oil suit, but he insisted that it could be carried on at a more suitable time and that he was more interested in the national security aspect of this problem than in the Government's suit.

In answer to Secretary Chapman, Mr. Emmerglick stated that the Justice Department was trying to emphasize the relationship between the operations of the cartel and the apparent drying up of incentive in this country for exploiting our own oil reserves. It seemed very significant to him that in 1948 the United States abruptly ceased being an exporter of oil products and became an importer. Justice believed that this phenomenon required investigation, since it was quite possible that the sudden switch, and also the lack of facilities for the production of aviation fuel, was the result in good part of an agreement by this cartel not to duplicate facilities among its members.

Called upon for his opinion, Secretary Sawyer said that he strongly supported the recommendation which Secretary Bruce had placed before the Council. If he had any quarrel with it, he said, it was because it probably did not go far enough. Moreover, said Secretary Sawyer, he could not be convinced that because authority for the institution of the anti-trust suit came from the President, this precluded any review of the situation by the National Security Council and the possibility of a recommendation to the President for a reversal. If he understood the arguments of the Justice Department, said Secretary Sawyer, we shouldn't import oil because it would be more desirable to obtain it from our own reserves.

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[4] These speeches have not been further identified.

At this point the President interposed to state that he did not feel that this was the essence of the Justice Department view. It was rather, said the President, that we should not cease exploring possible oil fields in the United States and that the oil cartel might be responsible, in part at least, for impairing the incentive to do this.

Secretary Sawyer then observed that his European trip had confirmed his fears that the present anti-trust suit was creating a serious situation for this country abroad. He emphatically urged that something be done now to counteract its adverse effects both in Latin America and in the Middle East. He simply could not convince himself that there was any comparison between the importance of this suit and the loss of the great oil supplies upon which this country depended. Continued attack on these oil companies, he concluded, could be nothing but "bad public policy".

Mr. Foster then stated his desire to support the motion made by Secretary Bruce, which, so far as he could see, was simply designed to clarify the situation, to illuminate the problem, and to provide the basis for a sensible action later. It was a question, as he saw it, of balancing the factors on both sides from the national security point of view and from the domestic legal point of view. The preparation of the reports suggested by Secretary Bruce, he continued, would not necessarily mean that the President would be faced with the necessity of halting the suit. He believed it quite possible that there were other methods than that of the criminal suit for getting from the oil companies the information desired by the Government. At the very least, Secretary Bruce's motion would give us the information on the issues which the National Security Council required. Accordingly we had everything to gain and nothing to lose by following Secretary Bruce's proposal.

The President then asked Mr. Gorrie if he desired to comment.

Mr. Gorrie asked permission to address certain questions to Secretary Chapman, the answers to which he believed would help to clarify the problem. Mr. Gorrie then inquired what percentage of exploration of new fields in this country is carried on by the major companies involved in the present suit, and what by the so-called independent group.

The lion's share, said Secretary Chapman, was in the hands of the major companies. While it might be possible for the smaller companies to do a good deal more of this work, Secretary Chapman said he felt he must point out that the main factor which had prevented the major companies from developing their exploration activities was the steel shortage. If Mr. Fowler could spare them the steel to build their machinery, they would take all they could get and push their exploration activities to the limit.

Mr. Gorrie then inquired of Secretary Chapman his views as to the adequacy of our own oil reserves to meet the problems which confronted us in peace and in war.

Secretary Chapman replied that he could not be very hopeful because in spite of the great development of fields in this country and also the importation of large supplies of oil from abroad, the increased demand both in this country and in Europe had the effect of maintaining a precarious balance between supplies and reserves. In short, our reserves have not increased in anything like the ratio which our security requires.

Mr. Gorrie then stated his endorsement of the motion of Secretary Bruce.

The President then asked General Smith for his comments.

General Smith reminded the Council of the very adverse effects which he had earlier brought to the Council's attention when the FTC report had been published.[5] The effect on United States security interests and on the objectives of our foreign policy had been serious, and the advantages to the Soviet Union, in the Middle East particularly, had been great. He stated he was perfectly prepared to make the special estimate requested by Secretary Bruce, but he believed that it would merely reiterate and emphasize the damaging effects abroad which had been noted earlier.

General Bradley then commented that the present problem was one of the most important issues ever to arise in the NSC. The Joint Chiefs of Staff, he stated categorically, were very worried indeed about the effects of this anti-trust suit in foreign countries. No matter, said General Bradley, how much oil we can find, whether at home or abroad, we can always use more. He also insisted that it was a matter of the greatest importance that we use as much foreign oil as possible in order to save our own reserves in this country against unforeseeable contingencies in the future.

Having thus canvassed the views of the members of the Council, the President stated that he could perceive no harm and much use in the motion which Secretary Bruce had sponsored, although, he added, the Attorney General was correct in his position. The President stated that he had ordered the Attorney General to do what he had done, but even so, there could be no harm in securing the information and accepting the motion proposed by Secretary Bruce. So, he added, the motion was carried.

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[5] This is apparently a reference to the Special Estimate prepared by the CIA on May 6, 1952, SE-28, "Consequences of the Future Revelation of the Contents of Certain Government Documents," a copy of which was sent to President Truman under cover of a memorandum of May 8 from Smith, p. 1271.

At this point Mr. Fowler inquired whether it would not be possible for the Department of Justice to indicate, in the report which it would place before the Council on January 5, any possibilities other than criminal proceedings which might accomplish the purposes envisaged in the present suit.

The President said that the Department of Justice report would contain a discussion of such possibilities.

Mr. Lay then inquired whether he should assume that the Department of State would be the coordinator of the report which would be prepared by State, Defense and Interior.

Secretary Bruce said that he would be prepared to undertake this task, and the President confirmed Mr. Lay's understanding.

The National Security Council:

a. Noted the memorandum of December 8, 1952 by the Secretary of the Interior and Petroleum Administrator for Defense on the subject (NSC 138), and welcomed the initiative undertaken in raising the security and international political problems implicit in the current petroleum situation.

b. Requested the Departments of State (as coordinator), Defense and Interior (Petroleum Administration for Defense), to prepare a study and recommendations on the security and international issues arising from the current situation. This study should, if possible, be completed by January 5, 1953.[6]

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[6] This action was designated NSC Action No. 692. (S/S-NSC (Miscellaneous) files, lot 66 D 95, "Record of Actions")

800.054/12-1952

Memorandum by the Assistant Legal Adviser for Economic Affairs (Metzger)[1]

WASHINGTON, December 19, 1952.

THE CURRENT SITUATION OF THE ANTI-TRUST OIL CASE

At present, the so-called Anti-Trust oil case is not actually a criminal case against defendants; rather, it is a Grand Jury investigation into possible violations of the Anti-Trust statutes on the part of five major American companies and the Anglo-Iranian Oil Company, and the Shell combination. Subpoenas have been issued for domestic and foreign records of the American companies; no subpoena has been issued to the foreign Shell corporations, while the subpoena which had been issued to the Anglo-Iranian Oil Company was quashed by the court in its order of December 15, 1952. Under the court's orders of November 10 and December 15, 1952, the domestic records of the American companies must be submitted pursuant to the subpoena by January 12, 1953. Regarding the foreign records, the American companies must make good faith efforts to gain consent from foreign sovereigns to remove foreign documents in order to present them; the court must be advised of these good faith efforts by February 2, 1953; where the foreign sovereign has granted consent, the foreign documents must be submitted for consideration by the Grand Jury by March 16, 1953; where the foreign sovereign denies consent, it shall be done through diplomatic channels in clear and unambiguous terms, and a preliminary hearing shall take place on February 16, 1953, at which time these refusals will be disclosed to the court, and the court will determine the proper procedure of presenting the proof and effect of foreign laws as they pertain to the question of enforcement of the subpoena; the presentation of such proof of foreign laws will then commence on March 2, 1953, in the manner ordered by the court at the preliminary hearing of February 16, 1953.

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[1] Attached to the source text was a memorandum, dated Dec. 19, from Metzger to Armstrong, informing the latter that the memorandum contained some material for the oil paper he was preparing. (800.054/12-1952)

It cannot now be predicted what the court will do with respect to further orders upon an American company in the event that any foreign sovereign refuses permission to export documents of that company or its subsidiary located abroad. It also cannot be stated whether the quashing of the subpoena upon the Anglo-Iranian Oil Company takes that company out of the case for good; if the Justice Department were to appeal from the court's order quashing the subpoena, it may well secure a reversal.

If the case were continued along present lines, it does not appear that an indictment would be secured until sometime in the fall of 1953, or that trial would be completed until the end of 1954 and possibly later, during 1955. Appeals might result in a final determination not being made until 1956 or 1957. Since it is understood that following the criminal case a civil case would be instituted, and since the trial of a civil case might take substantial time by itself, even though evidence would have been obtained, the litigation in connection with international operations in oil might continue through the remainder of the decade; this time might be shortened if the civil case were instituted prior to the determination of appeals in the criminal case. It should be noted, in this connection, that effective remedies leading to a change in the practice of conducting oil operations abroad of American companies can only be had through a decree in the civil case. Fines and imprisonment are the only remedies on the criminal side.

If the criminal case were to be postponed, a civil suit by the Justice Department could, nevertheless, be instituted through the filing of a complaint. The foreign documents problem would be much the same in a civil case, since the Justice Department could, through discovery under the Federal rules, call for the production of documents relating to the issues in the complaint. If the basis of the court's order quashing the subpoenas on the Anglo-Iranian Oil Company is valid, Anglo-Iranian Oil could not be made a party defendant in the case, or, if made a defendant, could secure dismissal of the complaint; if, however, the basis of the court's order is erroneous, as may well be held upon appeal, Anglo-Iranian Oil Company would be a defendant in the civil action. It should be emphasized that the decree in the civil case is the instrument by which restrictive practices, changes in organization, etc., affecting oil operations, are accomplished. The institution of a civil suit during a postponement of the Grand Jury's proceedings would not preclude a subsequent institution of a criminal suit.

880.2553/12-2252

Memorandum by the Director of the Office of Near Eastern Affairs (Hart) to the Deputy Director of the Office of International Materials Policy (Armstrong)[1]

SECRET [WASHINGTON,] December 22, 1952.

Subject: Your Request for NE Views Re (a) Impact of Anti-Trust Suit in the Middle East; (b) Recommendations Regarding Future Course of Action

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[1] Drafted by Richard Funkhouser of the Office of Near Eastern Affairs. Attached to the source text were two brief typewritten notes. One, dated Dec. 23 and addressed to Hart from Stephen P. Dorsey, the Officer in Charge of Economic Affairs in the Office of Near Eastern Affairs, stated that appointment of a special commission would be desirable in order to deflect Arab comment that the whole matter had been dropped as a result of the oil companies' influence. According to Dorsey's note, it was also important that there be a careful study of the causes of the present situation and the policy changes which the U.S. Government desired. The other note was from Hart to Armstrong, dated Dec. 24, in which Hart said, "I had to delegate this memorandum and I am sure that it covers exactly the points you had in mind, and I am informed that you must have it this morning. However, I am sending it along as a tentative think-piece by NE, very tentative indeed. Please read NE wherever NEA, mentioned in the memorandum as 'believing' or 'feeling', on this problem. This matter is so serious and has such ramifications that spot studies like this cannot be considered as representing the considered opinion of this office."

(a) Impact of Anti-Trust Suit in the Middle East

OIR Report 6104 December 17[2] contains the NEA answer to question (a). Whereas oil companies tend to equate their current problems in the area to the anti-trust action and the FTC report, NEA considers these recent actions have and probably will continue to have only marginal bearing on oil company difficulties in the Middle East. It is extremely doubtful that any of the pressures now on ME oil companies would have been avoided if the U.S. Government had decided not to publish the FTC report or prosecute under anti-trust legislation. The basic causes for the Western oil problem in the Middle East should be equated rather to (a) social unrest, (b) the controversial fifty-year record of ME oil operations, (c) intimate knowledge of Middle Eastern peoples with the forces and effects of colonialism and imperialism, particularly where connected with oil operations, (d) an ostentatiously successful oil industry which to Near Easterners has always been able to "pay more", (e) the world's greatest concentration of oil which offers the only means of bringing the greater part of the Middle East into the 20th century immediately, (f) an oil industry which serves as a "whipping boy" for Western and particularly U.S. support for Israel.

Against such deep-seated forces the report and suit mean little, except to add friction where no further friction should be added. The FTC report, principally, and to a lesser extent the anti-trust suit, have lent support to those many Middle Easterners who already are criticizing oil operations. Both these actions will probably prove damaging to settlements of Western problems in the Middle East over the short run. Both actions have served to confirm popular views of Near Easterners that they have had a "raw deal". Another year of headlines would further complicate the problem.

Among the more intelligent leaders in the Middle East it might be expected that the U.S. Government would stand to gain by supporting the interests of Near Eastern States and the public at large by such self-criticism; it is action not to be expected from either the colonial powers or Communist governments and is consequently somewhat surprising to Middle Eastern peoples. The more intelligent ME student, official, teacher may well have had his faith in the U.S.G. and people strengthened by such action. Unfortunately, however, these voices are not too frequently heard or listened to in the Middle East. Therefore the quick conclusion that the oil companies are guilty can be expected to be the most widespread reaction, to our discomfiture.

The above represents the short-term impact; the long-term impact would presumably depend on what good might come from the Justice action. The need for remedy is apparent. The Justice Department would undoubtedly claim, as would the FTC Board, that to increase the competitive aspects of Middle East oil would decrease the possibilities of nationalization, and do the most good for the most people in the free world over the long run. NEA agrees with this principle and has consistently worked toward this goal. A strong case can be made that had both British and American companies been operating in Iran, the Anglo-Iranian Oil Company would never have been nationalized. The case is based on the assumption that AIOC would have been forced by a competitive environment in Iran to have adopted many years earlier the demands which were made on the company prior to nationalization. It is also patently more difficult to nationalize and organize an oil industry consisting of many companies than it is of one centralized company.

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[2] *Ante*, p. 1293.

NEA also believes that a case can be justly made that the large oil companies in the Middle East may not be induced into a more competitive environment by government suggestion alone. This has been tried by the State Department over the years without too impressive effects in the Middle East. In fact cooperation with oil companies may have increased following the FTC report.

Pressure from an Inter-Departmental group such as State, Defense and Interior could from a realistic point of view be expected to produce even a lower common denominator of positive results, as has been seen from previous Inter-Departmental attempts to find Inter-Departmental solutions to the basic oil problems in the Middle East.

Therefore, from a practical standpoint, action to produce important and far-reaching corrective measures may perhaps only be possible by taking the critical facts to the public, facts which perhaps too long have been kept from public view on grounds of strategic and political considerations. Whether the U.S.G. can afford the luxury of the long-term solution at risk of short-term increased friction in the NE is consequently one of the vital questions.

(b) Recommendations Re Future Course of Action

NE has not yet reached any conclusions regarding a future course of action. Withdrawal of the law suit might indicate to the Middle Eastern States a U.S. Government "whitewash" following the traditional colonial practice of identification of oil companies with foreign governments. The slanted FTC report will be read and believed in the area, and both government and industry criticized for non-prosecution. Whether or not this criticism would be more serious than a series of headlines following a year of lawsuit is difficult to determine. The difference between criminal action and civil action is probably too refined for those Middle East minds with which we are concerned in this problem; it might provide little solution from strictly an NEA point of view, unless it served to diminish headlines.

In the presence of only poor alternatives, NEA would probably have to make a "command decision" balancing the need for short-term benefits against long-term solutions. In such a case, the situation in the NE is considered such that the short-term answer may have to be seized, i.e. by squashing the headlines and perhaps the lawsuit; by endeavoring to commit the oil companies to desired policy changes *in camera*, while working to remove basic causes of ME discontent with the West. This course may at least delay the day of more serious crisis in Middle East oil and really provides no solution to Middle East oil problems except a play for time.

(*Note:* The Eisenhower Administration presumably will take this course of action in any case.)

S/P-NSC files, lot 61 D 167, NSC 138

Memorandum by the Deputy Director of the Office of International Materials Policy (Armstrong) to the Deputy Assistant Secretary of State for Economic Affairs (Linder)

SECRET [WASHINGTON,] December 26, 1952.

Subject: Decision on Oil Anti-trust Case.

In our conversation of December 23 you asked me to give you a statement of my reasons for preferring the translation of the criminal action into a civil suit, as against the suspension or implied termination of legal proceedings against the oil companies. You have pointed out that in your opinion a civil suit could be as injurious to our foreign policy and national security as a criminal suit. You have further indicated that the translation of the criminal action into a civil action leaves unsolved the problem of documents located in other countries. You have further suggested that it is more desirable for adjustments in oil company practices to be made by a process of free negotiation between the companies and a commission of executive agencies than by means of the legal process. I have perhaps not stated fully all the points covered in our talk but these will suffice for the purposes of this memorandum. The following comments are relevant, in my opinion and in that of a number of other people who are profoundly interested in the question.

1. The first point is that suspending the criminal action without putting any legal action in its place would be regarded publicly as a whitewash of the oil companies and as a signal that they were so

powerful that the Government could do nothing about them. The appointment of a commission to consider the problem in all its aspects would be regarded as the normal device for starting the process of forgetting about the matter.

2. The only recourse if the criminal action were dropped and no civil action instituted would be voluntary cooperation between the companies and the Government. The Government's record in seeking voluntary cooperation shows that in all instances in which the pocketbooks of the oil companies would have been affected by the adoption of Government suggestions they declined to take any of the actions suggested. We have four specific cases in mind. ((a) The MSA attempt to obtain a reduction in price; (b) the idea that Tapline would reduce the delivered price of oil in Europe; (c) the suggestion that Aramco cut down the size of its concession—subsequently it actually extended it to a new area; (d) the suggestion that market-sharing agreements be dropped in certain specific cases.) There is the further point that even if oil companies agree to make certain changes, there is no assurance without court action that these changes will be maintained, or that the evils may not reappear in some other form. Furthermore, in some cases the companies may not be able to make certain changes without incurring the liability of private suits for breach of contract. If they have a court decree they can avoid such suits.

3. The material concerning company practices has been in existence for some time and no conscientious Attorney General can ignore it. It is always, from some standpoint, a bad time to initiate legal action. The only way in which any changes which companies might undertake voluntarily, without a legal action, could be made attractive to the companies would be if they were assured that they would be free from anti-trust action in the future. Executive agencies, including the Department of Justice, simply cannot give such assurances, unless the anti-trust laws are amended. Thus a commission of executive agencies acting in the absence of specific legal proceedings would have little or no leverage with the companies, no means of assuring them that a negotiated settlement would be immune from further anti-trust action, and no way of being certain that the companies would not return to their original practices, even if they agreed to change them.

4. Our real interest both at home and abroad lies in finding corrective measures without the implications of punitive action. The economic, political and security interests of the United States are in no way promoted by indictments, convicting, fining, and sentencing prominent business executives for civil misdeeds. A criminal process does not regulate the conduct of the companies, the problem with which we should be properly confronted. The only way in

which this conduct can be regulated is through a civil action, and this would have to follow the criminal action anyway, if present conditions were allowed to continue. The regulation of conduct through civil action starts with a general complaint, and is followed by a legal investigation. At some stage in the investigation, or in the process of court action, an opportunity develops to negotiate a consent decree. The consent decree is a legal action of a court which binds both the Government and the oil companies and which provides for the corrective measures. No consent decree or negotiated settlement is legally effective except through court action. In the course of fifteen years from 1935 to 1950, 171 civil anti-trust actions were terminated, and of these 134 were settled by consent decree. This indicates the rather great extent to which the consent decree is used. As a matter of fact, a consent decree in a major anti-trust case serves the purpose of defining the issues and problems for the companies, and eliminates subsequently a good part of the general area in which the law and its application are not entirely clear. It also involves no admission of guilt.

5. The question of foreign reaction is perhaps most important from the standpoint of the Department. It should be clear in this context that we are talking primarily about possible foreign reaction in the future, rather than about the current reaction, which has thus far been mild. This foreign reaction has several elements:

(a) There is a real distinction between a criminal action and a civil action, and this distinction can be made clear both at home and abroad by appropriate publicity;

(b) There is a very great difference between, on the one hand, branding leading American businessmen and their companies as conspirators and criminals and perhaps imposing jail sentences or fines, and, on the other hand, ordering changes in company practices and structure as a result of a negotiated consent decree which contains a statement to the effect that the companies do not admit any violation of the anti-trust laws. There is no possibility of a negotiated settlement in a criminal action, and a trial cannot be avoided, unless the companies plead guilty, which they certainly will not. In a civil suit a prolonged trial may perhaps be avoided, and a negotiated consent decree action can be readily explained abroad and at home. In fact there should be no more publicity of an adverse nature from a civil action leading to a consent decree than from a commission which might find substantial need for corrective action.

(c) The United States philosophy of competitive enterprise is an important and well justified aspect of our foreign economic policy, and our stake in this policy is very great. The maintenance of this policy is very closely connected with the way in which the current oil company cases are handled. Suspending the criminal action, failing to institute civil action, and appointing a commission to report could lead only to the conclusion on the part of other countries that the American doctrine of competitive enterprise was intended to apply to their corporations and not to our own oil companies, and that perhaps our insistence upon it abroad was so as to benefit our own corporations. Thus, any action which looked like a whitewash in the case of the oil companies could seriously impair our position abroad, on both economic and moral grounds.

(d) In the case of countries where American companies are engaged in oil production, there is always the possibility that local interests will seek a larger share of the profits and that they may move toward nationalization. These tendencies exist now, regardless of the anti-trust action. The publication of the FTC report, together with the initiation of the anti-trust action, has perhaps supplied new ammunition to the proponents of these two tendencies. This supply of ammunition cannot now be withdrawn. It may put the American companies in a somewhat poorer bargaining position with foreign nationals or sovereigns. But if the anti-trust action shows to other countries that it is the intent of the U.S. Government to correct whatever is contrary to our laws, they may have no very good reason to object. A withdrawal or termination of the action already undertaken, without the substitution of further legal action, might very well lead other countries to assume that the hope of corrective action by the U.S. Government had vanished. They might consequently assume that any action to be taken would have to be on their own initiative, and this might do serious harm to the position of the companies and of the U.S. national interest.

(e) The Communists have made little use of the material already provided. If there were the appearance of a whitewash, and if the Communists chose to take advantage of the opportunity which this created for them, they would have a real gold mine. In the current situation they can take advantage, propaganda-wise, of the companies. If there appeared to be a whitewash, they could direct their entire attack against the United States Government as controlled by the oil "monopolies". There is no assurance that the Communists would make effective use of good propaganda material, but this is no reason for giving it to them.

6. The documents question is the only one which has aroused the official concern of foreign governments thus far, and most damage to U.S. interests on this account has already been done. This is by no means an insoluble question. Adequate measures can be taken to assure the protection of the vital interests of governments concerned, while at the same time the Department of Justice can obtain all the documents it needs for its purposes. All that is needed is a measure of commonsense and reasonableness on the part of the Justice Department, the foreign governments, the oil companies, and the court. Perhaps this is too much to expect but there is a very strong possibility that changing the suit from a criminal to a civil action would be exactly what is needed to bring this element of reason into play. This problem is not overriding, however, even though the criminal action should proceed. If some

foreign governments decline to allow documents to be furnished to the court, this will not necessarily impair the ability of the Department of Justice to make its case against the companies.

7. A civil suit investigation would take a fair amount of time. It should attract only minimum publicity. It can be explained abroad as one of the investigations so common in the United States. Meanwhile, a commission can examine the whole problem and can recommend to the President the basis upon which relief should be sought in the civil suit, and this would provide a useful negotiating base for achieving a consent decree. The commission would presumably have a good many other things to do as well, and it could be the means by which a definitive national policy on foreign petroleum could be developed.

8. The oil companies have not been particularly frank in telling the Government as much as it ought to know about their arrangements in other countries. Voluntary measures are not enough to ensure that the Government knows what it needs to, especially if it is eventually to be called upon for action in the event an oil company has a real grievance against another government. If the U.S. Government is not properly informed, it may find itself in the position of defending an oil company against a foreign government where the moral basis for the oil company's position is entirely inadequate. Real cooperation between government and industry is necessary. This is almost impossible while a criminal action is being conducted; it is ineffective if no legal action against the companies is under way or possible, but it can be developed if the civil suit and consent decree are used.

9. It is not realistic to expect either this Administration or the next Administration to suspend the criminal action undertaken against the oil companies without substituting a legal process which will give every evidence to the public that it is designed equally well to enforce the law. It would be a political error for either Administration to create the impression that it was whitewashing the companies. Furthermore, if the Departments of State, Defense, and Interior were to suggest this, or something which looked like it to the Department of Justice, it would be fought tooth and nail by the Attorney General, and the result might well be no change in the current situation. This would be more harmful to the State Department's interest in the matter than anything else that could happen. The Department should ask for the solution which is really justified on its merits, and should not seek to bargain with the Department of Justice in the NSC.

800.2553/12-2952

Memorandum by the Assistant Legal Adviser for Economic Affairs (Metzger) to the Legal Adviser (Fisher)

SECRET [WASHINGTON,] December 29, 1952.

Subject: Anti-Trust Oil Case

This is to bring you up-to-date on the National Security Council's consideration of further measures relating to the Anti-Trust Oil Case. The National Security Council requested State, Defense, and Interior to submit a paper with recommendations by January 5, 1953, for consideration by the Council; the Justice Department is to prepare a separate paper containing its side of the matter for submission at the same time.

Regarding the recommendations in the State, Defense, Interior paper, the officers on the economic side of the Department below Mr. Linder have been unanimously of the view that the recommendations should call for the discontinuance of proceedings which would result in a criminal indictment, the simultaneous translation of these proceedings into a civil suit, and the creation of a Cabinet Commission which, within 120 days, would recommend, from the security standpoint, those measures which should be sought by the Government in a civil decree (either consent or litigated, depending on the course of the litigation), with the Commission having a longer time to study and report upon longer range international aspects of oil policy.

Mr. Linder is not convinced that there should be a civil suit, being inclined to the view that the Grand Jury proceedings should be terminated and the Commission established with only a longer term frame of reference, with no civil suit. Attached is a memorandum from Mr. Armstrong to Mr. Linder,[1] setting forth the reasons why it is desirable to translate the criminal proceeding into a civil proceeding rather than "whitewash" the whole matter.

From a working party meeting held on December 28th with representatives of Interior and Defense, it appears that Interior agrees with Mr. Linder that there should not be a civil proceeding, but that the Grand Jury proceeding should simply be called off; Defense tends to share that view but did not appear to hold to it so strongly. If State Department were to take a firm position for the civil proceeding, it is believed that Defense could be lined up with State; on the other hand, if State Department does not take a strong position for a civil suit, that proposition will not carry the day.

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[1] Not found as an attachment to the source text, but this is presumably a reference to the memorandum of Dec. 26 from Armstrong to Linder, *supra*.

I agree with Mr. Armstrong's memorandum to Mr. Linder, believing that if anything is to be done, translation of the present proceeding into a civil proceeding is the least bad thing.

811.2553/12-3052

Memorandum of Conversation, by the Deputy Assistant Secretary of State for Economic Affairs (Linder)[1]

SECRET [WASHINGTON,] December 30, 1952.

Subject: NSC Consideration of Oil Suit.

Participants: George Brownell, of Davis, Polk, Wardwell, Sunderland & Kiendl (representing Standard Oil Co. of New Jersey)
Assistant Secretary Harold F. Linder

Mr. Brownell came in to see me at the suggestion of Mr. Bohlen. He indicated that he knew of the consideration that was being given to the subject of the oil suit by the NSC. Without any indication on my part as to what might come of it, I did ask him for his ideas as to how the present situation should be handled. He emphasized that he did not think that the suit would have been brought had the President not been pressed by Senator Sparkman during the period of the campaign. Obviously, the oil companies would hope that all legal action be dropped and for it an investigation by a commission be substituted. When I asked how a commission could be certain that the oil companies would accept and carry out its recommendations without Court approval, Brownell stated that the government always had the right to bring suit. He was of the opinion that there was little to choose from the point of view of repercussions on our own and the oil companies' foreign relations between a civil and a criminal action. He admitted that it would be rather difficult for any administration formally to drop legal action and suggested that it should be possible for the President to direct the Attorney General to drag his feet and make no further presentation to the Grand Jury until a commission had opportunity to study and report on the entire situation.

Throughout the conversation, he reverted to the serious risk of repercussions, which is not borne out by the reports we have had from our missions abroad. To these I did not make any reference whatever.

HAROLD F. LINDER

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[1] A note on the source text indicates that Linder drafted the memorandum of conversation on Jan. 2.

INR-NIE files

Special Estimate [1]

TOP SECRET
LIMITED DISTRIBUTION
SE-28/1

WASHINGTON, January 2, 1953.

PROBABLE CONSEQUENCES OF THE PROSECUTION OF THE ANTI-TRUST SUIT AGAINST CERTAIN US OIL COMPANIES

NOTE

This paper deals only with the consequences of the publication of the FTC report and of the possible indictment and trial of US oil companies. It does not consider the consequences of a judgment for or against the oil companies.

ESTIMATE

1. In SE-28,* we estimated that publication of the "Report of the Federal Trade Commission on the International Petroleum Cartel" would:

a. be exploited in Soviet-Communist and other anti-US propaganda;
b. tend to impair basic US relations with the UK and other Western countries;
c. adversely affect the position of the US, and of US oil companies, in the Middle East; and
d. strengthen attacks against US business interests in other areas.

2. The FTC report was published on 22 August 1952. The fact that deletions were made is a matter of public report, but the text of the deleted portions has not been publicly revealed.

3. The effects noted in SE-28 have not yet materialized in any significant degree as a result of publication of the FTC report or of the initial legal proceedings stemming therefrom.

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[1] According to a note on the cover sheet, "The following members of the Intelligence Advisory Committee participated with the Central Intelligence Agency in the preparation of this estimate: The intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff. All members of the Intelligence Advisory Committee concurred in this estimate on 29 Dec. 1952, except the Assistant to the Director, Federal Bureau of Investigation, who abstained from comment, neither concurring nor dissenting." The minutes of the Dec. 29 IAC meeting are in the INR files, lot 59 D 27, "Meeting Notes."

*Published May 8, 1952. [Footnote in the source text. The text of SE-28 is printed as an attachment to Smith's memorandum of May 8 to the President, p. 1271.]

4. However, publication of the report has already provided Communists and nationalist extremists with material which they can use in an aggressive propaganda campaign to the detriment of US interests at any time they so decide. We are unable to estimate when or in what manner they will do so.

5. Indictment and trial of the oil companies would probably bring out additional material which could be exploited by Communists and nationalist extremists to discredit US oil companies and other US foreign business enterprises. On the other hand, abandonment of the case would lay the US Government open to charges of attempting to suppress damaging evidence and of condoning the practices alleged in the original complaint.

6. Past and possible future revelations will probably provide an additional stimulus to demands in Middle Eastern countries and in Venezuela for a larger share of oil revenues. They will also provide nationalist extremists with additional ammunition for use in their campaign in behalf of nationalization of oil. These revelations are not, however, in our judgment, likely to be a decisive element affecting the policy of these countries with regard to nationalization of oil resources.

7. In the UK and other Western European countries there has been criticism of the soundness of US judgment in publishing the FTC report. The prosecution of the case would place a further strain on US relations with these countries. These countries are generally more tolerant of cartel arrangements than is the US. They have questioned, and will probably continue to question, the soundness of a policy which, in order to support a principle that they regard as of minor importance, risks reactions in oil producing countries which might result in the loss of major strategic resources. There are, however, no indications that the publication of the FTC report has impaired basic relations with the UK and other Western countries, or that the indictment and trial of the oil companies would be likely to do so.

S/S–NSC (Miscellaneous) files, lot 66 D 95, NSC 138 Memoranda

Report to the National Security Council by the Departments of State, Defense, the Interior, and Justice [1]

TOP SECRET
NSC 138/1

WASHINGTON, January 6, 1953.

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[1] Attached to the source text was a note, dated Jan. 6, from National Security Council Executive Secretary Lay to the Council, indicating that the three reports constituting NSC 138/1 were in response to action taken by the Council at its Dec.

Continued

NATIONAL SECURITY PROBLEMS CONCERNING FREE WORLD PETROLEUM DEMANDS AND POTENTIAL SUPPLIES

[Part 1]

REPORT BY THE DEPARTMENTS OF STATE, DEFENSE AND THE INTERIOR ON SECURITY AND INTERNATIONAL ISSUES ARISING FROM THE CURRENT SITUATION IN PETROLEUM [2]

THE PROBLEM

1. The Justice Department has begun a judicial process which can be expected to lead to the indictment and trial of the principal international American oil companies on charges of criminal violations of American law in their foreign operations. There is serious danger that the trial of these oil companies on criminal charges would be harmful to critical American foreign policy objectives. No responsible official can assert either that American law should be wholly inapplicable to the foreign operations of these oil companies or that our critical foreign policy objectives should be placed in jeopardy. The problem is to determine the course of action which in these circumstances will best serve the over-all national interest.

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17 meeting (see p. 1298). Lay said that the reports would be considered at the Council's meeting on Jan. 9 (see p. 1338) and he particularly called the Council's attention to paragraph 44 of the first report. He also noted that the Attorney General and the Secretaries of the Interior and Commerce were being invited to participate with the Council, the Secretary of the Treasury, and the Director of Defense Mobilization in the consideration of the reports. The text of NSC 138/1 and Lay's covering note are printed in U.S. Senate, Committee on Foreign Relations, Subcommittee on Multinational Corporations, *Hearings on Multinational Petroleum Companies and Foreign Policy,* 93d Cong., 2d sess. (Washington, 1974), Part 8, pp. 1–13 (hereafter cited as Multinational Subcommittee *Hearings*). A report similar to part 3 of NSC 138/1 is printed in U.S. Senate, Committee on Foreign Relations, Subcommittee on Multinational Corporations, *The International Petroleum Cartel, The Iranian Consortium and U.S. National Security,* 93d Cong., 2d sess. (Washington, 1974), pp. 29–33. It is entitled "Report of the Attorney General to the National Security Council Relative to the Grand Jury Investigation of the International Oil Cartel—January 1953." This version contains two additional sentences. In paragraph 13 after the words "it is essential that all of the facts be known and weighed," the following sentence appears: "A civil suit would have to be almost a subterfuge to secure evidence, through discovery proceedings available after a complaint is filed, by means of which an amended and much different complaint seeking different relief would ultimately be filed." The following additional sentence is at the end of paragraph 16: "A decision at this time to terminate the pending investigation would be regarded by the world as a confession that our abhorrence of monopoly and restrictive cartel activities does not extend to the world's most important single industry." This may have been the text of a Department of Justice draft of the report with language which was subsequently omitted from part 3 of NSC 138/1.

[2] This report was classified secret.

IMPORTANCE OF PETROLEUM

2. Oil is vital to the United States and the rest of the free world both in peace and war. The complex industrial economies of the western world are absolutely dependent upon a continuing abundance of this essential source of energy. And expanding economies, whether modern and progressive, or backward and underdeveloped, require ever increasing quantities of petroleum.

3. No other nation relies upon petroleum to such an extent as the United States. Petroleum and natural gas supply roughly 50 percent of the vast amount of the total energy consumed in the United States; our vital transportation system is far more heavily dependent upon oil. National consumption of petroleum is at a rate of more than seven million barrels per day. This is over 60 percent of current world demand. By 1955, United States consumption is expected to rise to nine million barrels per day, and by 1975, to 13.7 million barrels per day.* Until recently the United States supplied its own requirements from its own indigenous resources. But this could not continue indefinitely. Proved crude oil reserves in the United States are now less than one-third of the world's total. In 1948, because of the tremendous increase in demand, the United States became a net importer of oil. Assuming the continuing high level of domestic exploration and development by a vigorous and healthy United States petroleum industry, it is estimated that by 1975 the United States will be using 2.5 million barrels daily more than it produces and this difference will have to be drawn from foreign sources. Without a vigorous and expanding domestic oil industry, the availability of foreign oil would be even more critical.

4. The free world is currently increasing its use of petroleum at an even greater relative rate than the United States. Since World War II foreign demand for petroleum in the free world has increased at a rate of about 14 percent annually, compared with an increase of about 7 to 8 percent a year in the United States. In total terms, foreign demand for petroleum has doubled since the end of World War II. The recovery and development of the free world at its current vigorous rate would be impossible without petroleum in ever increasing quantities. Although future increases in foreign demand are not expected to continue at the high post-war rates, they are nevertheless estimated at roughly double the rate of increase in demand in the United States. By 1975 demand from

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* All estimates for 1975 are drawn from the Paley Commission Report. [Footnote in the source text. On June 23, 1952, the President's International Materials Policy Commission, headed by William S. Paley, issued the first of a five-volume report entitled *Resources for Freedom*. Volume I of the report, "Foundations for Growth and Security," was summarized in the Department of State *Bulletin*, July 14, 1952, pp. 54–60. See the editorial note, p. 857.]

free European nations alone is estimated at 4.0 million barrels per day. With production of only about 0.3 million barrels per day, Europe's deficit to be supplied from non-European and non-United States sources will amount to 3.7 million barrels daily.

5. The total import requirements of the United States and Europe combined thus are estimated at 6.2 million barrels per day by 1975.

6. In war, petroleum is absolutely vital. It is indispensable to every military operation. In World War II, 60 percent of the total tonnage which the United States moved overseas consisted of petroleum and petroleum products. The petroleum which remained at home and went to defense-supporting civilian activities was no less essential to the successful prosecution of the war.

7. With the increase in demand that will occur under war conditions, the successful conduct of a major war by the United States and its allies will be dependent upon continuing availability of foreign petroleum supplies. Due to the continually expanding world demand, the more extensive use of oil-powered military equipment, and the use of heavier oil consuming equipment, such as jet aircraft, the farther in the future such a war occurs, the more critical is access to foreign petroleum. Major sources of foreign oil are now indispensable to the economy of Europe and in the future may become indispensable even to the peacetime economy of the United States.

FOREIGN SOURCES OF PETROLEUM

8. There are only two known areas which can supply the import requirements for petroleum in the other countries of the free world. These are the Middle East and the Caribbean area, largely Venezuela.

9. The greatest known petroleum reserves in the world are those of the Middle East. They are now conservatively estimated at some 52 billion barrels out of total world reserves of about 101 billion barrels. Venezuelan oil is of special strategic value, due to its location behind the screen of our Caribbean chain of defenses, across sea routes relatively easy to keep open. It is closer than Texas to our Atlantic Coast consuming area. Venezuela alone is able to supply most of the foreign oil essential to the United States in time of war. In addition to our own import needs, Venezuela supplies substantially all of the import requirements of the Western Hemisphere outside the United States.

10. Since the United States is today a small net importer of petroleum, it is not now making any contribution toward meeting crude oil demand in the rest of the world. That demand, including the United States' deficit, of about 5 million barrels per day, is

being supplied at the rate of slightly less than 2 million barrels per day from Venezuela, slightly more than 2 million barrels per day from the Middle East, and about 1 million barrels daily from the remainder of the free world.

11. Since Venezuela and the Middle East are the only sources from which the free world's import requirements for petroleum can be supplied, these sources are necessary to continue the present economic and military efforts of the free world. It therefore follows that nothing can be allowed to interfere substantially with the availability of oil from those sources to the free world.

12. With the exception of Iran, the production of oil in those areas is almost entirely in the hands of United States and United Kingdom nationals.† These nationals have provided the ingenuity, capital, and technology to bring forth production from those areas on the tremendous scale required to fulfill world requirements. As matters now stand, they alone are capable of maintaining and expanding the production of those areas to meet the rising demand for petroleum of the free world. If United States and United Kingdom companies were for any reason expelled from Venezuela and the Middle East, the oil from those areas would to a serious extent be lost to the free world.

13. Where areas have fallen under Soviet domination, such as in Rumania, eastern Austria, Hungary, Czechoslovakia, and Poland, the oil has been lost to the free world. Almost the same result has followed from the expulsion of American and British oil companies from other countries for other reasons. Iran is the most recent example of nationalization. The repercussions of this action have led to an interruption in the flow of a substantial quantity of oil to the free world. While the initial interruption in such cases is caused by negotiating difficulties, the longer-run factors are know-how and capital. The record of nationalization and governmental operations in such countries as Bolivia, Mexico, and Argentina has shown that vigorous expansion of production does not occur, despite excellent prospects.

14. American and British oil companies thus play a vital role in supplying one of the free world's most essential commodities. The maintenance of, and avoiding harmful interference with, an activity so crucial to the well-being and security of the United States and the rest of the free world must be a major objective of United States Government policy.

15. Since the United States is the greatest consumer of petroleum and its products in the world (60% of total world consump-

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†"United Kingdom" or "British" in this section includes British-Dutch interests. [Footnote in the source text.]

tion) now and for the foreseeable future, it is vastly important that the operations of the great oil fields of the world remain as far as possible in the hands of American-owned companies. We are gradually increasing imports. To be assured of these imports, and to ensure that this outstanding example of American investment abroad continues to make its great contribution to the American economy and the economies of other countries, it is essential that the American companies have full opportunities for profitable and expanding operations.

UNITED STATES FOREIGN POLICY OBJECTIVES

16. The operations of American oil companies abroad have profound effects on the conduct of American foreign relations. In the first place, oil is the principal source of wealth and income in the Middle Eastern countries in which the deposits exist; their economic and political existence depends upon the rate and terms on which oil is produced. American oil operations are, for all practical purposes, instruments of our foreign policy toward these countries. These oil producing countries are on or near the borders of the Soviet Union. For this reason and because of certain local conditions the Middle East comprises one of the most explosive areas of the world. The oil companies are in a position of great influence upon our relations with the peoples and governments of these countries. What they do and how they do it determine the strength of our ties with the Middle Eastern countries and our ability to resist Soviet expansion and influences in the area.

17. A major corollary of this is the fact that the internal economic development of these countries depends in good measure upon the operating policies of the oil companies. The United States has been pressing for economic development in the backward areas not solely for humanitarian reasons, but also on the assumption that economic growth contributes to political stability. Oil operations can accelerate that growth, and their cessation can block it. The rate of such growth depends to an important degree on the policies the oil companies follow. They can help or injure the political stability we need in the area.

18. A third factor which interrelates our foreign policy objectives to the operations of the international oil companies is their role as a supplier of western Europe's needs. The terms on which these needs are supplied are critical to the strength and balance-of-payments position of this area which is vital to our security.

19. The operations of the oil companies are also important to our foreign policy objectives in a more fundamental way. At this moment, and for some time to come, the United States and the Soviet Union will be engaged in a struggle to capture the support

and the allegiance of political groups throughout the free world. We shall be arguing the case for freedom and dignity of the individual and freedom of enterprise, and we shall claim the virtues of our system in providing well-being and economic growth. The activities of the United States Government in petroleum must be handled in such a way as to avoid giving strength to the claim that the American system is one of privilege, monopoly, private oppression, and imperialism.

20. In this struggle of ideas on which our security depends, the oil companies of the United States play a significant role. Their operations extend throughout the free world. They are by far our largest overseas investment. In many foreign countries, they are the principal contact of the local inhabitants with American enterprise. What such people think of the oil companies, they think of American enterprise and the American system; we cannot afford to leave unchallenged the assertions that these companies are engaged in a criminal conspiracy for the purpose of predatory exploitation.

FOREIGN IMPACT OF FTC REPORT AND ANTITRUST ACTION

21. Before the publication of the FTC Report, the international oil companies have frequently been attacked in underdeveloped countries by governments and private groups on various grounds, and in some cases have been subjected to nationalization or lesser forms of harassment. Even in more developed areas the companies have been feared by existing local vested interests, in part because of their superior efficiency, greater technological abilities, and their great size, necessary for the vast scale of these foreign operations, and in part because they represented a broader and sometimes more vigorous and competitive approach. The companies in some cases have successfully resisted attacks from these sources; in others they have not been so fortunate. In either event, they have for a long time, because of the success of their operations, been vulnerable to the possibility that any derogatory information about them is likely to be seized upon by some elements somewhere in the world, to their disadvantage. The problem in part is to reduce this vulnerability of American oil companies to future attacks.

22. The governments from which the United States has heard officially and directly regarding the FTC Report and the antitrust action have been those of the United Kingdom, the Netherlands, France, and Saudi Arabia. In each case, except France, the communications dealt with the question of making documents available to the Grand Jury in the antitrust investigation.

23. The United Kingdom Government instructed the Anglo-Iranian Oil Company and subsidiaries of other companies located in the

United Kingdom to the effect that documents not relating to business in the United States should not be presented to the Grand Jury except with the approval of the British Government. These instructions have been made a part of the official record of the court proceeding.

24. The Netherlands Government, according to an *aide-mémoire* of December 4, 1952[3] presented to the Department of State, has instructed all Netherlands oil companies not to furnish any documents in response to the subpoena.

25. The FTC Report and the antitrust action have been duly noted in the press in many countries. In most cases there has been some editorial comment, mostly in Venezuela and the United Kingdom. The press reports appear primarily to be based on wire services' accounts in the United States, and quote rather widely the reactions of the American oil companies, including references to the attempts to quash subpoenas, and predictions of unfavorable foreign reactions. In the United Kingdom, the FTC Report and the antitrust action have been thoroughly covered in the press, and most of the editorial comment has revealed a lack of sympathy for United States antitrust laws and apprehension over their possible application to British companies.

26. In Venezuela, the only Latin American country where any comment has developed, there has been an unfavorable press reaction, and a suggestion that perhaps a Venezuelan Government investigation of company activities should be undertaken.

27. Middle Eastern reaction in the press has not been highly significant, although apprehension has been expressed that successful antitrust action might decrease oil revenues for the Arab states. The communist, left-wing, and extreme nationalist newspapers have made some unfavorable comments.

28. The Soviet telegraph agency has printed two articles, and Radio Baku has made one propaganda broadcast, which found in the charges of the FTC Report and the antitrust action evidence of American monopolistic imperialism. Revelations which might be made in the course of the current Grand Jury proceedings, or as a result of a criminal indictment and trial, could doubtless be used and distorted by Soviet agencies in such a way as to injure seriously the prestige and security of the United States.

29. This entire situation is fraught with great potential danger to the national interests of the United States. For example, expressed reactions to date in Venezuela, many of which do not voice the threat of nationalization, are less important than the potential reaction which can well develop. The national economy and Govern-

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[3] A copy of the *aide-mémoire* is in file 800.2553/12-453.

ment finances are dependent upon the oil industry, and political forces have unanimously backed radical overhaul of the present petroleum laws and the sharp upward revision of the benefits from petroleum to the nation. All political parties in opposition to the Government agree that ultimate nationalization of petroleum is their goal, to be achieved as soon as possible. The opposition has utilized the criminal proceedings to charge the present Government with incompetence and indifference in administering the national wealth, and has placed it in the position of sole Venezuelan defender of the foreign oil companies. A Government commission has already been appointed to investigate the companies' pricing practices, which are an essential feature of any cartel agreement. Since the present Government is aware of the benefits the industry brings to Venezuela and that the Venezuelans themselves lack the technical skill and marketing facilities to take over the industry, it has pursued a temperate course against its critics which, however, has dismally failed to stem the tide of criticism. The Embassy in Caracas has reported that the companies' broad programs for better public relations and cooperation with the Government have been set back years by the FTC allegations against them. In sum, the criminal action may well renew an era of recrimination and hatred, and stimulate a movement toward anti-Americanism and nationalization of all important foreign investments, including also those in iron ore. Indictment and prosecution would accelerate this trend.

30. The Middle Eastern countries were so long subjected to foreign political and economic control that the motives of any foreign enterprise are still suspect. Although the oil companies are doing much to allay this suspicion, the success of their operations nevertheless invites envy and dislike. Furthermore, anti-Westernism and anti-Americanism are widespread in the Middle East. These are the basic factors, and they are complicated by the feudal or semi-feudal structure of Arab society, in which certain groups may seek to avert or resolve existing frictions by resort to anti-Westernism. The FTC Report and the antitrust action add fuel to the flame.

31. In both Venezuela and the Middle East a wave of economic nationalism which might endanger American interests is entirely possible. Once such powerful political and emotional forces are unleashed, it is difficult or impossible to restrain them. The developments in Iran are an example.

32. There is, of course, no way of preventing adverse reactions arising from the FTC Report, because it has been published and widely disseminated. Therefore, it is hard to assess the full foreign implications of dropping or appearing to drop the antitrust action.

33. The United States is waging a constant struggle to dispel the concept, very much alive not only among communists but also in non-communist circles of the free world, that capitalism is synonymous with predatory exploitation. On the more positive side we seek to make the point that freedom of competitive enterprise is the economic counterpart of the concept of freedom of the individual in the political and social spheres. We have sought to lead the way toward a wide acceptance of this American way of life, and one of our best arguments has been that the productive achievements of the American economy have been attained largely as a result of the competitive system. Notwithstanding the constant action of the oil companies to expand production at home and abroad, there would be a risk that a United States failure to follow up our antitrust approach with respect to other aspects of oil company operations would be regarded as hypocrisy. This might add to the distrust of capitalism and free enterprise on the part of many elements in the world, and could impair not only the immediate position of the oil companies abroad, but also the broader interests of the United States as a whole.

34. One of the most disadvantageous features of the current antitrust action, in terms of foreign impact, is the fact that an investigation leading to a criminal indictment by a Grand Jury has been initiated. Although under American law a person or a corporation accused of criminal action is presumed innocent until judged guilty, this point is often overlooked by foreign observers. An indictment by a Grand Jury on the complaint of the United States Government, alleging crimes by the leading oil companies and their executives, is almost as effective in foreign propaganda terms as a decision finding the oil companies guilty as criminals and conspirators. This obviously harms the prestige of the companies in other countries, and can very well lead to an adverse effect upon the interests of the United States. Thus, it is concluded that American interests abroad will be adversely affected by the continuation of the present Grand Jury proceedings. Alternative means for dealing with this problem in the light of the foregoing considerations are developed below.

RESOLUTION OF PROBLEMS

35. The objectives of the United States in foreign petroleum require the continuance and expansion of the flow of oil from producing to consuming areas in the free world. United States foreign policy calls for the promotion of political and economic stability and development in the Middle East, Latin America, and other underdeveloped areas. American policy in free Europe requires maximum availability of oil at reasonable prices. United States domestic

policy requires compliance with the antitrust laws on the part of the petroleum industry. The extent to which the antitrust laws apply to the foreign activities of petroleum companies is not clear, and judgment on this issue can be rendered only by the courts. The publication of the FTC Report and the initiation of the antitrust action have thus far had some adverse effect upon foreign opinion, on our national security, and on our foreign relations. Potentially great difficulties may arise as a result of the simultaneous pursuit of our security, foreign policy, and law enforcement objectives, unless adequate correlation is achieved. The purpose of the Government should be to seek the best means of moving toward all United States objectives effectively and simultaneously.

36. The point has been made above that a criminal indictment and trial of companies which are a major factor in American business abroad can scarcely be conducive to the development of confidence in American business institutions. A good deal of the difficulty caused by this fact could be removed if the criminal action were terminated, and any relief which the United States Government decides to seek were pursued in a civil suit, which might lead to a consent decree. In this way a trial might well be avoided, and hence a great reduction in the number of possible sensational disclosures brought about. Foreign reactions to a civil rather than a criminal action should be substantially less adverse to United States interests.

37. A second aspect of the difference between a civil and criminal action lies in the importance of correcting evils in this sensitive field, if they exist. Correction of any evils which may exist should in fact promote United States security and economic objectives in the foreign field. A criminal action such as that now under way leads to no substantial corrective measures unless and until it is supplemented by a civil action, resolved either through a court judgment or through the negotiation of a consent decree. At the same time, whenever there is a violation of the antitrust laws, a civil action ensures adequate enforcement. It entails less publicity, and brings corrective action more promptly.

38. A third consideration affects United States national security and foreign relations. While it is of paramount importance that American petroleum interests abroad act in a manner consistent with the foreign policy of the United States, industry expects Government support abroad and is entitled to such support, except when it acts contrary to our national interests. In many fields no legal or formal control over the action of American private interests abroad is exercised by this Government. This is in accord with the view that a minimum of regulation and control is an accepted American principle. On the other hand, this means that if Govern-

ment and industry are to act together to promote foreign policy and security objectives in petroleum, there must be a basis of mutual confidence between them. Criminal proceedings are not likely to produce such confidence between the two parties in this dispute.

39. The fact that the FTC Report has been published and the antitrust action begun creates a series of issues between industry and Government. These issues must be resolved if the groundwork for future cooperation between them is to be laid. Corrective action, if and where needed, and a clearer picture of the interpretation and application of the law should make this vital cooperation possible.

40. The problem of international petroleum, with all its complex and diverse elements, should be reviewed by the responsible executive departments. A commission consisting of the Secretaries of State, Defense, Interior, and Commerce should be created to give careful attention to the interrelationships of antitrust, security, and foreign policies in petroleum. The commission should have as its specific task the development of recommendations to the President on changes, if any, in oil company practices or structure required by security, economic, and political considerations in the foreign field, which changes would have a bearing upon the remedies that might be sought in an antitrust suit. The commission's works should be of a classified nature, and it should be required to report on this subject within a specified period of time, for example 90 days from the time of appointment.

41. The commission's report could be used by the President as he saw fit, and presumably would be useful to the Attorney General in developing the specific form of relief which might be sought from the companies. The Attorney General will no doubt wish to have a reasonable measure of latitude, but the commission could well demarcate certain areas of primary importance in the foreign policy and security fields.

42. If this program—terminating the criminal action and establishing a Cabinet commission with the foregoing terms of reference—were put in effect, a careful and explicit statement should be made to the public both at home and abroad. This statement should explain why the criminal action was being terminated and what the Cabinet commission would be expected to do, and assure the world that security and foreign policy considerations would be major factors in the determination of United States action in international petroleum.

RECOMMENDATIONS

43. The Departments of State and Defense submit the following recommendations to the National Security Council:

a. The Grand Jury proceedings now under way should be terminated.

b. The President should appoint a Commission of the Secretaries of State, Defense, Interior, and Commerce (the Attorney General should be invited to attend the sessions of the Commission, and to participate to the extent considered appropriate by him and the Commission) to develop recommendations regarding our national objectives and policies in security, economic and political fields which have a bearing on the application of United States antitrust laws to the overseas operations of United States oil companies, and to the remedies to be sought in a civil antitrust suit.

c. The President should instruct the Attorney General to prepare a complaint as a basis for a civil action under the antitrust laws, if in the judgment of the latter this action is warranted, copies to be transmitted to the members of the Commission mentioned in recommendation b for their information as soon as practicable after completion but in any event at least 10 days before it is publicly filed.

d. An announcement of this course of action should be made by the President.

44. The Department of the Interior concurs in the foregoing report (not including its recommendations in paragraph 43), the report being generally in accord with the memorandum of the Secretary of the Interior (NSC 138)[4] but the Department of the Interior does not either approve or disapprove the recommendations in paragraph 43 and does not join therein.

[Part 2]

REPORT BY THE DEPARTMENTS OF STATE AND DEFENSE ON FOREIGN PETROLEUM POLICY[5]

1. The question of the applicability of anti-trust laws to the international operations of the oil companies has called attention to the fact that there are many complex and intricate problems, of great importance in our national security and foreign policy, inherent in the situation. These problems are likely to be of substantial duration, and the effective disposition of the current action against the oil companies will contribute only to a partial solution of them. It

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[4] NSC 138, a report to the NSC by the Secretary of the Interior and Petroleum Administrator for Defense Chapman on "National Security Problems Concerning Free World Petroleum Demands and Potential Supplies," is not printed. A summary of NSC 138 is attached as Annex I to the memorandum of Dec. 16 from Linder to Bruce, p. 1291.

[5] This report was classified secret.

is the conviction of the Departments of State and Defense that the entire situation needs to be examined in all its aspects by responsible Executive departments.

2. The Departments of State and Defense therefore recommend that the commission proposed in the report submitted to the National Security Council in response to NSC Action No. 692[6] be asked to undertake a full study of the problem, and to report within a year. For this purpose the Commission should have its terms of reference extended to include the following:

a. Clarification and development of national objectives and a national economic and political policy on foreign petroleum.

b. A determination of the security objectives of the United States and its allies in regard to petroleum and the development of a program for assuring the achievement of these objectives.

c. Examination of American foreign petroleum operations and recommendations as to the best means of assuring consistency between United States objectives and oil operations in such fields as pipeline agreements, concessional arrangements, marketing arrangements, and transport.

d. A definition of the proper role of the United States Government in regard to foreign oil operations, and recommendations on the development of effective cooperation abroad between the Government and the petroleum industry.

e. Review of the impact upon United States objectives of nationalism and tendencies toward nationalization in underdeveloped countries where oil is produced by American companies.

f. The study of petroleum problems faced by consuming countries, such as cost, assurance of supply, and machinery for distribution.

g. Review of relationship of anti-trust law and policy to United States objectives in foreign petroleum.

h. Consideration of intergovernmental relationships concerning petroleum, and recommendations on possible changes in these relationships.

i. Recommendations on means for coordinating United States Government action in the more complex situations where security, political, economic, foreign, and domestic influences come into play.

j. Recommendation for such legislation as might be required.

3. In making this recommendation, the Departments of State and Defense recognize that portions of this problem have been and are being attacked either separately by various Government agencies, or together through the National Security Council. This material should provide a useful background for the study now suggested. (NSC 97, 129/1, and 136[7] have a bearing on this subject.) The De-

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[6] Regarding NSC Action No. 692, see the memorandum of discussion at the 127th meeting of the NSC, Dec. 17, 1952, p. 1298.

[7] For the text of NSC 97, "A National Petroleum Program," Dec. 28, 1950, see *Foreign Relations*, 1950, vol. I, p. 489. For the text of NSC 129/1, "U.S. Policies and

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partments of State and Defense believe that these efforts should be joined in a fundamental attack on the problem, for the purpose of evolving a truly national program, properly coordinated, and carefully designed to assure the clarification and achievement of the objectives of national policy in this highly important and sensitive field. Failure to approach the problem on such a basis can result only in recurrent crises and improvised solutions.

[Part 3]

REPORT BY THE DEPARTMENT OF JUSTICE ON THE GRAND JURY INVESTIGATION OF THE INTERNATIONAL OIL CARTEL [8]

1. Following cancellation of wartime suspension of antitrust investigations and prosecutions of the oil industry, investigation of world-wide oil cartel activities was resumed. Much information had been obtained through file searches conducted under grand jury subpoenas in 1940 and 1941. Coincident with this resumption, the Special Committee of the Senate Investigating the National Defense Program, was engaged with public hearings on the same subject. The Chairman of that Committee had requested the Attorney General to look into cartel relationships which were alleged to have caused the United States Navy to pay high prices for petroleum products purchased from American companies doing business in the Middle East. Additional file searches were conducted in 1946 and 1947 and the American oil companies supplied copies of current contracts and other arrangements through 1949.

2. On December 2, 1949, the Federal Trade Commission passed a resolution to investigate "agreements entered into by American petroleum companies among themselves and with petroleum companies of other nations in connection with foreign operations and with international trade in petroleum and petroleum products." Subpoenas duces tecum were issued in January 1950. In order not to duplicate the investigative work of the Commission, this Department deferred further investigation until the Federal Trade Commission staff filed its report in October 1951. On December 2, 1951 the Select Committees on Small Business of both the House and Senate published a report on The Third World Petroleum Congress by Elmer Patman, appointed to investigate oil cartel activities. Thereupon a study and appraisal of all available material was made. The Attorney General decided that further investigation by grand jury process was necessary and recommended such action to

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Objectives With Respect to the Arab States and Israel," Apr. 24, 1952, see volume IX. For the text of NSC 136, "U.S. Policy Regarding the Present Situation in Iran," Nov. 6, 1952, see volume X.

[8] This report was classified top secret.

the President who, on June 23, 1952, instructed that proceedings go forward immediately.

3. Early investigative efforts revealed the outline of a world cartel formed as early as 1928 by one American and two foreign oil companies. Over the succeeding years many other American companies joined the cartel. It appears that the uninterrupted extension and continuance of the basic cartel agreements has resulted in a world-wide pattern in which seven of the major oil companies—(1) control all major oil producing areas outside the United States; (2) control all foreign refining operations; (3) control patents, know-how and technology covering refining processes; (4) effectively divide world markets; (5) maintain non-competitive world prices for oil and its products; and (6) control foreign pipeline and world tanker transportation facilities.

4. Since petroleum and petroleum products are so essential to national defense, world economic recovery and defense of the free world, it is imperative that petroleum resources be freed from monopoly control by the few and be restored to free competitive private enterprise. Any full scale mobilization would depend more on petroleum products than upon any other commodity.

5. The domestic oil economy of this country is directly involved in and affected by cartel operations. Imports of crude oil into the United States are not free and subject to the natural competitive forces of our economy but are regulated by contracts and agreements between American companies. A cartel program for agreed upon imports is supplanting domestic production and retarding the drilling of new wells to find and earmark *proven* reserves as an underground stockpile, available for immediate production beyond present actual production. As Secretary Chapman pointed out on November 12, 1952 "We do not begin to have the reserve we should have in order to provide, not absolute security, but just the minimum of security that would give us room to maneuver in the opening months of a war". Deputy Petroleum Administrator J. Ed Warren publicly stated on October 31, 1952 that our domestic reserve capacity is less than one million barrels per day, which is only 15% of present domestic consumption. In his words—"That's a percentage much too small for comfort".

6. In order to maintain the fictitious pricing bases, the American cartel partners engage in uniform collusive bidding when our military seeks to buy petroleum products from them in foreign lands. The Department of National Defense has transmitted this evidence to the Department under the provisions of Title 41, U.S. Code, Section 151(d). The same pricing practices have been engaged in when selling to Mutual Security Agency for European delivery. At least three of the American companies have "over-charged" the MSA ap-

proximately 70 million dollars in approximately a 3-year period, on the basis of lower prices they charged on sales "among themselves". At the request of MSA suits to recover these overcharges have been filed by me.[9] Prices for Middle East oil, delivered to any point in the world, are based on the fiction of American Gulf Coast prices plus delivery costs to a given destination.

7. The international petroleum cartel is a serious threat to our national security. Prompt discovery of its dimensions and effects, and expeditious termination of the cartel and its effects can be accomplished only by pursuing the pending grand jury investigation.

8. Noting that we do not begin to have the domestic petroleum reserve we should possess in order to provide even the minimum of security that would give us room to maneuver in the opening months of a war, the Secretary of the Interior has said that he is not sure how we can go about getting the reserve we must have, and that the present profit incentive alone may prove inadequate to produce the results we must have. This problem exists in the presence of a world cartel whose total operations and total effects are not known but can quickly be ascertained by the grand jury through the subpoena process which it has set in motion to secure the facts.

9. As with petroleum reserves so also with aviation gasoline—we teeter on the edge of a great shortage in the grades the military must have. The prospect is for increasing shortage unless something is done and done quickly, in the words of the Secretary of the Interior. While recognizing industry's reluctance to build installations for manufacture of the essential alkylate, the Secretary emphasizes that the military need is imperative. This condition, in a period of high productivity and high profitability of company operations, is traceable to the cartel, for the American companies, by working within the cartel, can make more money by investing it abroad than by creating additional domestic facilities. The Paley Commission recently reported that private American investment abroad in the petroleum industry has risen from 1.3 billion dollars in 1940 to 4.1 billion dollars in 1948; and that the ratio of earnings to book value on such direct foreign investments was 27.6% in 1948, whereas the ratio on domestic petroleum investment was only 22.7% in the same year. Here again the condition can be illuminated, and speedily corrected, only by going forward with the grand jury investigation. Any other effort to find the facts and correct them will take so much longer to complete that it will subject the national security to continuing and increasing hazards.

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[9] Presumably a reference to the Attorney General.

10. Moreover, the cartel constitutes such a complex network of close relationships and joint interests among the major United States and foreign companies as to inevitably identify and entangle the United States with economic and political decisions of foreign governments as to oil. The dangers inherent in this situation ought to be ended in the most expeditious way.

11. The cartel arrangements are in effect private treaties negotiated by private companies to whom the profit incentive is paramount. The national security should rest instead upon decisions made by the Government with primary concern for the national interest. These private treaties and the other cartel arrangements have already served and can continue to serve as an agreed upon deterrent to development of our domestic resources by the major American companies. This is not to say that importation of petroleum and petroleum products should be discouraged. But the basic noncompetitive principle of a world cartel requires the major domestic producers to agree to give up both normal incentive and freedom to do the major work of enlarging our domestic petroleum resources. As a result, the cartel members, by their control over dominant segments of the domestic industry, regulate and determine the extent to which this nation shall be dependent on foreign supplies which could be cut off in time of war.‡

12. This cartel has existed since 1928, but has been extended and complicated over the years. Its general structure and skeleton are known, but its total outlines and proliferating effects are not known. They could be uncovered by a Congressional Committee but such an investigation could not make any determination as to the legality or illegality of the multiform operations and their effects. In the presence of clear evidence of criminality, as indicated in the staff report of the Federal Trade Commission, the grand jury investigatory method is clearly indicated for two objectives must be achieved: (1) the cartel's total operations and effects must be brought to light in order that (2) it shall be promptly ended. These combined needs can be met only by grand jury investigation if the

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‡The industry itself through a January 1949 report of the National Petroleum Council, warned:

Imports in excess of our economic needs, after taking into account domestic production in conformance with good conservation practices and within the limits of maximum efficient rates of production, will retard domestic exploration and development of new oil fields and the technological progress in all branches of the industry which is essential to the nation's economic welfare and security.

Since the date of this warning the pattern of dependence of foreign supplies from sensitive areas of the world has become more deeply imbedded; indeed, by the end of 1950 the excess of imports over exports of petroleum and petroleum products increased by almost 350 percent. [Footnote in the source text.]

public interest in adequate petroleum supplies is not to be hazarded by needless delay.

13. Civil antitrust action is not adequate for the necessities. A civil complaint could be filed but it would have to be very narrowly drawn since only the skeletal facts are available. Similarly, an indictment could have been returned on the basis of the Federal Trade Commission's staff report and a small number of documents in the possession of the Department of Justice. But in order to do justice to the public interest and to be fair to the companies and their principal officials, it is essential that all of the relevant facts be known and weighed.[10] A civil case, on the basis of experience with comparable activities, would require four to six years to complete. An indictment and trial could be concluded within twelve to fifteen months.

14. Conviction under an indictment will leave correction of the conditions found to be illegal to the companies by renegotiation, while a judgment in a civil case would put responsibility upon a judge to reorient a world industry by decrees acceptable to foreign governments. Correction will be accomplished much more rapidly and smoothly if the companies are obliged to set their houses in order, in view of the nature of the international petroleum industry.

15. The secrecy of a grand jury investigation makes it preferable to an investigation by any other means, such as a Congressional or interdepartmental committee, or a civil antitrust suit. Grand jury investigation will avoid the possibility of public, inflammatory exposures. The pending investigation is being conducted with the aid of a committee composed of representatives of State, CIA, Defense and Justice, specifically concerned with problems of sensitivity and the international repercussions of the inquiry, with provision for submission to the President of questions which cannot be otherwise resolved.

16. The Sherman Act was described by Chief Justice Hughes as our charter of economic freedom. The Supreme Court has repeatedly rejected proof of public benefit and business necessity as justification for cartel operations and has emphasized the primacy of economic freedom as the highest value for our economy. Our concern for an adequate future supply of petroleum is a concern ultimately for the preservation of freedom for ourselves and the free world. Free private enterprise can be preserved only by safeguarding it from excess of power, governmental and private. The selective socialization of business in the ancestral home of our free institutions

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[10] For the text of an additional sentence at this point in a different printed version of this document, see footnote 1 above.

points to the end result of the cartels which flourished and became the outstanding characteristic of the British economy after Great Britain adopted the Import Duties Act of 1932. The world petroleum cartel is authoritarian, dominating power over a great and vital world industry, in private bands. National security considerations dictate that the most expeditious method be employed to uncover the cartel's acts and effects and put an end to them. The urgency of these considerations requires that the grand jury investigation go forward even though it might ultimately appear that indictments would not be warranted. The facts presently available strongly suggest that the high policy represented by the Sherman Act has been consciously and persistently violated by activities long since determined by the Supreme Court to be illegal. The cartel should be prosecuted criminally if there is to be equal justice under the law and if respect for the law and its even-handed administration is to be maintained. Far from hurting us abroad, the investigation and prosecution of this cartel's activities will authenticate our protestations made continuously through the Marshall Plan, ECA, MSA, Point IV and NATO. We cannot promote free private enterprise and productivity abroad unless we are seen to conscientiously enforce our laws designed to preserve them for our own economy and our own domestic and foreign commerce.[11]

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[11] For the text of an additional concluding sentence as found in a different printed version of this document, see footnote 1 above.

S/P-NSC files, lot 61 D 167, NSC 138

Memorandum by the Director of the Office of International Materials Policy (Evans) to the Counselor of the Department of State (Bohlen)

TOP SECRET WASHINGTON, January 9, 1953.

Subject: Additional Material on Foreign Reaction to U.S. Actions in Regard to Oil

You have pointed out that our NSC paper, 138/1 (1),[1] is not very specific in its appraisal of the harmful effects which can result from the criminal proceeding. This, of course, is true. No one can be certain what the effect will be if the Grand Jury investigation results in criminal prosecution and trial. But the geographic bureaus believe that the risk is very great. My own belief is that nationalistic feelings are running so high that almost anything could set them off, and that we should take no unnecessary risks.

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[1] Reference is to Part 1 of NSC 138/1, p. 1318.

We purposely omitted some of the more extreme statements available to us for fear of overstating the case. If you have time, you may find it worth while to glance at the attached material:[2]

1. A portion of a draft paper submitted by ARA, based in part on an appraisal by Embassy Caracas. The first three pages of this will give you a sufficient idea. Incidentally, ARA strongly urged that we insist on the case being dropped completely without institution of civil proceedings.
2. A report by Franklin Bates of Trans-Arabian Pipe Line Company to the New York office of that company. This is hardly a disinterested report. His own appraisal must be discounted. But the quotations in his report do indicate that some government officials and some of the press in Lebanon, Syria and Egypt have taken advantage of the FTC report and the Grand Jury proceedings for attacks on the oil companies. I have marked a few of these, on pages 8, 10, 12 and 14 for your attention. A number of the reactions in the Middle East apparently were set off by the United States civil suit to recover what MSA contends were excessive charges in their purchases. Our proposal, of course, would not correct any damage this suit may have done, as we do not propose that it be dropped.

One reason I am fearful of the results of a criminal trial cannot very well be mentioned in the NSC. Mr. Emmerglick, the Assistant Attorney General handling the case, has already made statements in court calculated to appeal to those who oppose United States imports of oil. The Justice report to the NSC again devotes several paragraphs to the danger of oil imports and charges that collusion among the companies is the cause of the high level of imports. I am afraid that a public trial will lead to more of this sort of thing. The effect on both domestic public opinion and foreign relations can hardly be good. A civil proceeding could, of course, also serve as a sounding board for isolationist sentiment by the Department of Justice, but we are hopeful that civil proceedings would lead to negotiations for a consent decree instead of a trial.

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[2] The materials under reference here were not found as attachments to the source text. A marginal handwritten notation indicates that the attachments were returned to Evans on Jan. 12 as he had requested.

Truman Library, PSF–Subject file

Memorandum of Discussion at the 128th Meeting of the National Security Council on Friday, January 9, 1953 [1]

TOP SECRET

The following notes contain a summary of the discussion at the 128th Meeting of the National Security Council, at which you presided. The Vice President was unable to attend the meeting. Mr. Bohlen attended for the Secretary of State, and Deputy Secretary Foster attended for the Secretary of Defense. Mr. Emmerglick for the Attorney General, and the Secretaries of the Interior and Commerce participated in the Council's action on Item 1.

1. National Security Problems Concerning Free World Petroleum Demands and Potential Supplies (NSC 138/1; SE–28/1 [2])

In introducing NSC 138/1, the President remarked facetiously that he had heard of this matter before and, turning to Mr. Bohlen, said that doubtless the State Department would want to be heard on it.

In reply, Mr. Bohlen observed that the report spoke largely for itself, and that naturally State had to look at the problem from the broad over-all policy point of view. There were three major facets to the problem: the United States security interests and objectives in the Middle East, the vital importance of Middle Eastern oil, and the business practices which might interfere with the development of international trade. Beyond this, Mr. Bohlen added, the State Department felt strongly that prosecution of the criminal proceedings against the oil companies would prove extremely damaging to United States security interests not only in the Middle East but particularly in Venezuela.

The President then asked Secretary Foster if he had anything to add to Mr. Bohlen's remarks.

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[1] This memorandum, presumably prepared on Jan. 9 by the Secretary of the NSC, was addressed to the President. According to the minutes of this meeting, which consist of a list of the participants and a brief list of the decisions taken at the meeting, the following members of the Council attended: President Truman, presiding, Bohlen for the Secretary of State, Deputy Secretary of Defense Foster, Director for Mutual Security Harriman, and Chairman of the National Security Resources Board Gorrie. Others present at the meeting included Secretary of the Treasury Snyder, Director of Defense Mobilization Fowler, Emmerglick for the Attorney General, Secretary of the Interior Chapman, Secretary of Commerce Sawyer, Special Consultant to the President Souers, Chairman of the Joint Chiefs of Staff Bradley, Deputy Director for Central Intelligence Dulles, NSC Executive Secretary Lay, and NSC Deputy Executive Secretary Gleason.

[2] For text of NSC 138/1, dated Jan. 6, 1953, see p. 1317. For text of SE–28/1, dated Jan. 2, 1953, see p. 1316.

Secretary Foster reminded the Council that he had made quite a speech on the subject once before, but nevertheless felt that he must make another, since he felt so strongly in favor of the recommendations of the Departments of State and Defense in the reference report. We are not criticizing the suits against cartels or monopolies, continued Secretary Foster, but our strong feeling relates to the method chosen in this particular instance, in view of the overriding importance to the national security of procuring petroleum supplies from abroad, of increasing our own reserves and, finally, of helping to save the Middle Eastern countries from Communism. Doubtless, said Secretary Foster, we in Defense are prejudiced, but we are convinced that the national security will be gravely damaged if the present course of a criminal action is followed. What is needed above all is a broad over-all look at the whole problem of this nation's oil policies, and this is the great advantage of the recommendations advanced by the Departments of State and Defense.

The President then called on Mr. Dulles, who, however, said he would rather defer his remarks until the Council had heard from Mr. Emmerglick.

Mr. Emmerglick stated that he desired to emphasize two or three points in the report of the Department of Justice, and begged the Council's indulgence while he discussed them. He stated that there were two important conditions to be noted. First of all, the undoubted fact that a monopoly cartel exists today in the petroleum industry. Secondly, the United States formerly had a large percentage of reserve productive capacity quite adequate for its needs. Such a reserve no longer exists in amounts adequate for peacetime, to say nothing of wartime. In short, while the cartel has in recent years been expanding its operations overseas, our own reserves and our own supplies of aviation gasoline have been steadily shrinking. The Department of Justice believes that there is a vital relationship between these two conditions, that this relationship has got to be investigated, and that for these reasons the Grand Jury proceedings to ascertain the facts should not be stopped. After these proceedings have resulted in amassing the necessary facts and information, the Government will be in a position to determine whether or not to proceed with the criminal action against the major oil companies.

Mr. Emmerglick also argued that the criminal suit procedure was much more likely to enable the companies quickly to correct their past mistakes and to set their houses in order, than would a civil action, which would leave the corrective arrangements to be determined by a judge. Furthermore, continued Mr. Emmerglick, a criminal suit would be much more expeditious in reaching a decision than would a civil suit. In support of this view Mr. Emmerglick cited a number of examples, notably the aluminum company, in which civil suits lasted for many years. In addition, Mr. Emmerglick stressed the fact that the Grand Jury proceedings would be secret, while the proceedings under a civil suit could not be. He also noted that a committee consisting of officials of the Departments of State, Defense and Justice and the Central Intelligence Agency, had been created to screen sensitive documents before they could reach the hands of the Grand Jury. Finally in support of his position, Mr. Emmerglick referred to arrangements now being made by the Department of State and other agencies of the Government to get Iranian oil on the market by virtue of granting to certain oil companies immunity from anti-trust action for a certain number of years in the future. A civil suit would jeopardize such arrangements as those now being made to save the Iranian situation. Accordingly, Mr. Emmerglick again expressed the conviction of the Department of Justice that the national security would best be served by a continuance of the Grand Jury proceedings looking to a criminal action.

Mr. Dulles, asked a second time by the President for his views, stated that he was prepared to talk only of the probable effects of the various courses of action which were before the Council. Up to this point, he said, the effect of the Grand Jury proceedings had been very serious in Venezuela and somewhat less serious in Colombia. The reactions in the Middle East had not been so notable, thanks largely to the preoccupation of the governments of the Middle Eastern countries with their own problems and because the Soviet Union had not yet seized on the Grand Jury proceedings against the oil companies as a major propaganda instrument. If they did so, however, Mr. Dulles predicted that the effect on American security interests in the Middle East would be very serious indeed.

Secretary Sawyer stated that his observation during the course of his recent visit to Europe more than bore out the views just expressed by Mr. Dulles. It seemed to Secretary Sawyer, therefore, that if any investigation of the major oil companies is really in order, he could not understand why the Cabinet commission recommended in the report of the Departments of State and Defense would not serve that problem better than the use of the Grand Jury.

The President states that he wished this question to be answered by Mr. Emmerglick.

In response, Mr. Emmerglick pointed out that the Cabinet commission had no power of subpoena and, even more important than that, no remedial power; it could, in effect, only make recommendations. Therein lay the value of the Grand Jury proceeding.

In response to this argument, Secretary Sawyer inquired why, if the commission found that it could not get the facts, it could not turn the case back to the Justice Department to proceed with the criminal suit.

Secretary Foster added that it seemed to him possible that the commission might apply to Congress for legislation which would give it subpoena powers.

The President then called upon Secretary Chapman, who reiterated the points which he had made in his remarks to the Council at its previous meeting on this subject. He emphasized the very good record for exploration and development of American oil resources maintained by the major oil companies. He further insisted that the major obstacle to greater exploration and drilling was the lack of steel and other materials needed for this process, and he cited statistics to illustrate this point. In short, Secretary Chapman said that he could not understand how a criminal indictment would solve in any way the problem of increasing domestic production.

In explanation of why he had not positively endorsed the recommendations of the Departments of State and Defense in the reference report, Secretary Chapman noted that he was in the position of being a claimant for these oil companies before the Defense agencies in their search for steel and tubular goods that they so desperately required. To make his point, Secretary Chapman noted that the Government had proceeded to indict one of the major oil companies for obtaining materials on the black market in an effort to correct the deficiencies in the supplies allocated to it by the Department of the Interior. Although Secretary Chapman did not deny that these oil companies might well have been guilty of violations of the anti-trust laws, he himself had no evidence that they were guilty. Furthermore, he could not see how, after the closing down of the Abadan refinery, the oil companies could conceivably have avoided making some kind of agreements among themselves designed to get needed oil supplies from Iran to Western Europe, which had depended on supplies from this area. Moreover, continued Secretary Chapman, this criminal suit could have been brought ten years ago or it might be brought ten years hence. At any rate, this was not the precise moment to bring it. But in any case, Secretary Chapman stated his conviction that in terms of our over-all security problem a criminal suit was not the answer. If the basis of the suit was failure by the major oil companies to drill more oil wells in this country, no jury would indict, or at least none would convict.

After further discussion by Mr. Bohlen and Mr. Emmerglick of the arrangements presently being contemplated by the United States Government to get oil out of Iran, Secretary Sawyer turned to Mr. Emmerglick and asked him if he thought it would be a fair summary of the position of the Justice Department to say that Mr. Emmerglick was proposing to prosecute the oil companies criminally for past practices which he proposed to give them immunity to carry out in the future with respect to Iran.

Mr. Emmerglick denied that this represented a fair statement of his position, and read statistics designed to refute Secretary Chapman's contention that the oil companies were drilling as many wells as they had equipment to drill.

General Bradley then asked the President's permission to speak briefly. He said he understood the need for anti-trust laws. He said that he held no brief for the oil companies, but he nevertheless thought that the present Grand Jury proceedings constituted a serious threat to the national security. It was absolutely necessary that this country procure oil from abroad. It was absolutely necessary that this country conserve its own limited resources at home. For this reason General Bradley totally failed to understand Mr. Emmerglick's arguments. It seemed to him, he said, that what we are now proposing to do, in proceeding against the oil companies by a criminal action, would do more harm to the interests of the national security than any single thing that the Russians were presently doing to us. This, General Bradley admitted, was a very strong statement, but he believed it to be true.

Mr. Harriman and Mr. Gorrie stated their agreement with the recommendations of the Departments of State and Defense.

Mr. Fowler said that he had a very considerable amount to say to the Council on the general subject. The basic issue before us, he said, was how to secure oil in quantities adequate for the national security, and the test of our action at this meeting was what the impact of the decision should be on the national security. The Department of Justice argues that the criminal action will enhance and advance security because it will increase the exploration and use of our domestic resources. Yet Mr. Fowler stated his belief that the real attitude of the oil companies toward the exploration problem was shown by the heavy demands of these companies for tubular goods which ODM could not supply. Mr. Fowler cited statistics to support this argument, and also noted that with regard to aviation gasoline there was now a diminishing market because of the change-over from piston to jet engines. As a result of this changeover, many of the oil companies were being cautious about investing their stockholders' money in plants which turned out aviation gas. This was understandable, and the way to overcome the difficulty was to have the Government say to the companies that it would be willing to assume some of the risks of this shrinking market. On the other hand, Mr. Fowler did not deny the Government's responsibility to enforce the anti-trust laws. This being so, the real question was the form of proceeding best designed to discharge this responsibility. Quoting from various legal opinions, Mr. Fowler said that he reached the conclusion that the civil suit was more desirable than the criminal if the Government had in fact long acquiesced, for one reason or another, in illegal actions by the oil companies, or if extenuating circumstances had contributed to this acquiescence. The extenuating circumstances, continued Mr. Fowler, were considerations of national security. Accordingly it seemed to him that the civil proceeding was the best one. Nor could Mr. Fowler agree, he said, with Mr. Emmerglick's argument that the results of a criminal suit would hasten the process by which the oil companies would feel compelled to set their houses in order. Under the threat of continuing violation of the anti-trust laws after conviction, the oil companies might attempt to get out of their cartel arrangements so rapidly that not only their own interests but the interests of national security in foreign countries would be overlooked in the scramble. With reservations, therefore, Mr. Fowler stated his agreement with the recommendations in NSC 138/1. The first reservation was that the civil complaint which, in recommendation c on pages 12 and 13,[3] was to be merely prepared, should instead be instituted. Secondly, the recommendations of the Departments of State and Defense carried an implication that the Cabinet commission would advise the Attorney General on the propriety of going ahead with the suit. It would be better, thought Mr. Fowler, if the commission were to advise the President as to the nature of the decree which he should issue.

In reply to Mr. Fowler, Mr. Emmerglick stated that the proposals for a Cabinet commission in the reference report were regarded by the Department of Justice as inconsonant with the tradition of procedure in anti-trust cases. He reiterated his conviction that the Grand Jury was the only way to get the evidence required. A civil suit on the basis of evidence now existing would be a mere subterfuge to get the evidence that was required. He did not think this a dignified and appropriate position for the United States Government to take.

At this point Secretary Foster asked permission to make one more point. It was the fact that the Government does not seem to have the evidence necessary to proceed with a civil suit that had caused the Departments of State and Defense to make their second recommendation with respect to the appointment of a Cabinet commission. Secretary Foster emphasized that it was not the intention of this recommendation to interfere with the Attorney General as to his methods of prosecuting anti-trust suits. All that we wanted to do, he said, was to safeguard the national security in all its aspects, and he felt that the commission was the best way to do this. However, if the Attorney General wanted to institute a civil suit immediately, the Defense Department had no objection whatsoever.

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[3] Part 1, paragraph 43, p. 1329.

Secretary Sawyer expressed strong support of this argument of Secretary Foster's, and said that the whole point of the meeting was to decide what was best for the national security.

The President agreed with this position emphatically. He recalled to the members of the Council that he had always been a strongly anti-trust President. Moreover, he continued, he had had long and bitter experience with the oil companies, and was of the opinion that they had almost lost us the last war. Nevertheless he believed that the national security was at stake, and he therefore said, "I am approving the recommendations of State and Defense."

The National Security Council:

a. Discussed the subject in the light of the reference reports.

b. Noted that the President approved the recommendations contained in pages 12–16 of the reference report on the subject (NSC 138/1).[4]

Note: Mr. Bohlen and Mr. Foster represented the Departments of State and Defense, respectively, for the above action. Mr. Emmerglick for the Attorney General and the Secretaries of the Interior and Commerce participated in the above action with the Council, the Secretary of the Treasury and the Director of Defense Mobilization.

[Here follows the conclusion of the meeting with the Council noting the status of NSC projects as of January 7, 1953.]

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[4] For paragraphs 43 and 44 of Part 1 and paragraphs 1–3 of Part 2, see pp. 1329–1331.

This action by the Council was designated NSC Action No. 697. (S/S–NSC (Miscellaneous files, lot 66 D 95, "Records of Action")

Editorial Note

In a memorandum of January 9, 1953, to Secretary of State Acheson, the Counselor of the Department of State, Charles E. Bohlen, summarized the discussion regarding NSC 138/1 which had taken place at the meeting of the National Security Council earlier that day. Bohlen said that the Department of Justice "on the whole presented a rather weak case and in line with the paper submitted to the Council tended to stray into areas in which they were not as well informed as Interior." He also noted that after the President had rendered his decision, the meeting had been adjourned immediately with no opportunity to discuss procedures. According to the memorandum, Bohlen had therefore conferred with Lay, who had asked that the Department of State prepare an announcement, as provided in the recommended course of action, as soon as possible. At Bruce's suggestion, Legal Adviser of the Department of State Fisher had undertaken to prepare such a statement in conjunction with the Department of Defense. Bohlen also noted that the question of whether the President should appoint the Commission or should recommend its appointment to President-elect Eisenhower had been left undecided. (S/P–NSC files, lot 61 D 167, NSC 138)

In testimony before the Subcommittee on Multinational Corporations of the Senate Committee on Foreign Relations in 1974, Emmerglick recalled that on Sunday evening, January 11, 1953, he and Bohlen had been called to the White House by President Truman, who told them that he had reached his decision on the oil cartel case with great reluctance and that he had been constrained to take that decision, not on the advice of the Cabinet officers who had attended the NSC meeting, but "solely on the assurance of Gen. Omar Bradley that the national security called for that decision." The President had also informed them that he wanted the civil action to be vigorously prosecuted. (Multinational Subcommittee *Hearings*, Part 7, page 107)

On January 12, 1953, the White House released the text of a letter of that date from President Truman to Attorney General McGranery, giving his opinion that "the interest of national security might be best served at this time by resolving the important questions of law and policy involved in that investigation [the oil cartel investigation] in the context of civil litigation rather than in the context of a criminal proceeding." The President stated, however, that he believed "that this would be the case only if the companies involved agreed to the production of documentary material which the companies are required to produce under an existing order of court based on grand jury subpoenas." He asked the Attorney General to confer promptly with representatives of the companies to determine if they would agree to enter into a stipulation to that effect. If they were to agree, the President asked that a civil proceeding then be instituted and that the pending grand jury proceedings be terminated. (*Public Papers of the Presidents of the United States: Harry S. Truman, 1952–1953* (Washington, 1966), pages 1168–1169)

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 139th Meeting of the National Security Council on Wednesday, April 8, 1953 [1]

TOP SECRET EYES ONLY

Present at the 139th meeting of the Council were the President of the United States, presiding; the Vice President of the United States; the Secretary of State; the Secretary of Defense; and the Director for Mutual Security. Also present were the Secretary of the Treasury; the Attorney General (for Item 1); the Secretary of the Interior (for Item 1); the Director, Bureau of the Budget; the Acting Director of Defense Mobilization; the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; the Special Assistant to the President for National Security Affairs; the Special Assistant to the President for Cold War Planning; the Military Liaison Officer; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

There follows a general account of the main positions taken and the chief points made at this meeting.

1. *National Security Problems Concerning Free World Petroleum Demands and Potential Supplies* (NSC 138/1;[2] NSC Action No. 697 [3])

The Attorney General informed the Council that he had been carefully studying the problem and the referenced report, and was now prepared to make his recommendations to the Council. These were that the criminal prosecution of the oil companies should be dropped and a civil action commenced in its place. The oil companies were to send in their domestic papers bearing on the suit, but not at this time to send in papers dealing with operations in foreign countries. In order to make certain that no confidential information bearing on the national security should be made public or be handed over to the court, a committee consisting of representatives of the Departments of State, Defense and Justice was to screen all materials sent in by the oil companies.

The Attorney General thereupon read to the Council the statement which he proposed to make to the court within the next few days.[4]

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[1] Prepared on Apr. 16 by Deputy Executive Secretary of the NSC Gleason.

[2] Dated Jan. 6, 1953, p. 1317.

[3] For the text of NSC Action No. 697. see the memorandum of discussion at the 128th meeting of the National Security Council, Jan. 9, p. 1338.

[4] A copy of this statement as read by Attorney General Brownell has not been found in Department of State files or at the Eisenhower Library.

The President then inquired the difference between criminal and civil proceedings.

His question was answered, and the Attorney General pointed out that there was no commitment on the part of the Government not to prosecute criminally if the civil suit brought out evidence to justify criminal proceedings.

The President asked what the companies had done which required the Government to take legal action.

The Attorney General replied that there was no reasonable doubt that they had combined in restraint of trade within the meaning of the anti-trust laws and that indeed some of the companies had admitted this and had already consented to produce their documents. Nevertheless, the Attorney General went on, a committee was about to be set up in the Department of Justice to review the operation of the anti-trust laws of the United States as they affected areas outside the United States. There was some feeling that these laws operated unfairly against American companies in competition with foreign companies operating overseas.

Secretary Dulles stated flatly that he could not conceive of any decree issuing from this civil suit which would not wreck the oil companies' arrangements outside the United States and therefore redound to the disadvantage of United States national security.

The Attorney General replied that however well taken the Secretary of State's point, officials of the State Department itself had appealed to him for relief in Venezuela, where the cartel arrangements were so tight as to threaten a blow-up.

Secretary Humphrey stated his belief that we were hamstringing our own American oil companies by applying our anti-trust laws to American oil companies which buy Venezuelan oil and sell it abroad.

The Attorney General expressed agreement with Secretary Humphrey, and said that he expected that the result of the suit would be recommended changes in existing anti-trust legislation with a view to removing unfair restrictions on United States companies buying and selling abroad.

The President observed that if the companies' own lawyers admitted violations of the anti-trust laws, the Government had no recourse but to institute a civil suit. But he thought that the problem ought to be brought back to the Council after the civil proceedings were over, in order to determine on appropriate changes in the anti-trust laws.

Secretary Dulles again made it plain that he wished to go on record as to the dangerous effect on our national security of the decision to go forward with this civil suit.

Secretary Humphrey inquired whether it would not be sensible to decide on the desired changes in the anti-trust laws before proceeding with the suit.

The President answered that such a course would anger the Congress. The Executive branch instead should follow the existing laws, institute the civil suit, but as soon as possible after its conclusion change the law. It was possible, he thought, that Congress might agree to make the changes in the law *ex post facto*.

There was then a discussion between Council members of the dangers of a leak to the press of the decision which was not being taken. The President suggested that no record of the Council's decision on this item should be made until after the Attorney General had made his statement to the court.

The National Security Council:

Concurred in the recommendations on the subject presented orally by the Attorney General at the meeting.

Note: Record of the above recommendations retained in the official NSC files for reference by Council members only.

[Here follows discussion of significant world developments affecting United States security, United States policies in the Far East, possible courses of action in Korea, United States objectives and courses of action with respect to Formosa, United States objectives and courses of action with respect to Japan, basic national security policies and programs in relation to their costs, and National Security Council status of projects.]

800.2553/4–1753

Memorandum of Conversation, by the Assistant Legal Adviser for Economic Affairs (Metzger)

SECRET WASHINGTON, April 17, 1953.

Subject: Request for Omission of ARAMCO and of Foreign Oil Companies as Defendants in Proposed Civil Antitrust Suit

Participants: The Honorable Herbert Brownell, Jr., Attorney General,
Mr. Herman Phleger, The Legal Adviser, Department of State,
Mr. Stanley D. Metzger, Assistant Legal Adviser for Economic Affairs, Department of State

At 9:15 A.M., April 17, 1953, Mr. Phleger discussed with the Attorney General the omission of ARAMCO and of foreign oil companies as defendants in the proposed civil antitrust suit to be filed by the Department of Justice.

Mr. Phleger handed to the Attorney General copies of the British note of April 14, 1953[1] and the advance copy of the Dutch note,[2] which was to be given to the Department today, which he read. Mr. Phleger pointed out the political desirability of omitting these companies as defendants, and also that, as a practical matter, there could be no effective enforcement of decrees against the foreign companies. It appeared that the principal concern of the Justice Department with respect to the inclusion of ARAMCO as a defendant was the matter of ARAMCO documents. Mr. Phleger stated that he understood that ARAMCO might be willing to make arrangements relating to the delivery of the documents, and the Attorney General asked Mr. Metzger to get in touch with Mr. Emmerglick, who is in charge of the case, in an effort to work something out regarding documents, in which case ARAMCO might be eliminated as a defendant.

Regarding the foreign companies, the Attorney General stated that he would consider the matter further in the light of Mr. Phleger's remarks.

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[1] Not printed; the British note was in protest to the announcement on Apr. 9, 1953, by Attorney General Brownell that he would file a civil complaint against major U.S. and other oil companies for violation of the antitrust laws. The note indicated that the British Government believed the civil proceedings were no less contrary to "international comity" and no less unjustified "under international law" than criminal proceedings. It also expressed the British Government's concern that publicity arising from the civil proceedings would "prejudice the political, economic, and strategic interests of the Western Powers." (800.2553/4-1453)

[2] The Dutch Ambassador had given an advance copy of his government's note to the Department of State on Apr. 16. It presented arguments similar to those in the British note. (800.2553/4-1653)

800.2553/4-1753

Memorandum of Conversation, by the Assistant Legal Adviser for Economic Affairs (Metzger)

SECRET WASHINGTON, April 17, 1953.

Subject: Request for Omission of ARAMCO and of Foreign Oil Companies as Defendants in Proposed Civil Antitrust Suit

Participants: Mr. Leonard Emmerglick, Special Assistant to the Attorney General.
Mr. Stanley D. Metzger, Assistant Legal Adviser for Economic Affairs, Department of State.

Following the 9:15 A.M., April 17, 1953 meeting between Mr. Phleger and the Attorney General,[1] Mr. Metzger, at the request of the Attorney General, discussed the above subject with Mr. Emmerglick.

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[1] A record of this meeting is printed *supra*.

1. Regarding ARAMCO, Mr. Emmerglick was informed that there was reason to believe that ARAMCO would agree to deliver, upon service of a subpoena, documents of a character similar to those which a court order would direct its parent companies to deliver, if it could be eliminated as a party defendant. The Company had indicated that it would prefer that this agreement be an oral agreement. Mr. Emmerglick was at first opposed to the suggestion, but, after discussion, agreed if, as a minimum, the agreement were in the form of a written stipulation, and if it contained a time limit—that ARAMCO would deliver over documents of a character similar to those which its parent companies or any one of them were required to turn over under court order, within five days after such an order. Mr. Metzger then called the ARAMCO representatives, explaining the Justice Department's present proposal, which was quite close to the company's earlier position, and recommending its acceptance by the Company. The Company representatives indicated that they were prepared to accept, and that they were willing to come to a 2:00 P.M. meeting in Mr. Emmerglick's office to sign such a stipulation; Mr. Emmerglick indicated his willingness to draft such a stipulation. It thus appears that, under this arrangement, ARAMCO will be eliminated as a defendant in the proposed civil suit to be filed on April 21. Mr. Metzger stated that similar considerations were involved in Bahrein, Kuwait, and Iraq Petroleum Companies. Mr. Emmerglick did not indicate anything in regard to these companies.

2. The matter of the elimination of foreign oil companies was discussed. After considerable discussion, it appeared that the Justice Department might be willing to eliminate the Anglo Iranian Oil Company as a party defendant, since, in the face of its limited operations in the United States it was doubtful that any decree directed against that company could be effectively enforced. The matter of public relations in the event that the Anglo Iranian Oil Company were dropped, which appeared to worry Mr. Emmerglick, was discussed, and Mr. Metzger made some suggestions. Mr. Emmerglick is to see the Attorney General on this and the other foreign oil companies at 4:00 P.M. this afternoon.

The Dutch Shell group was also discussed. Asiatic Petroleum Company, which operates extensively in the United States and which is a member of the Shell group, is going to be made a party defendant, and there seemed to be no basis upon which its elimination could be based. Regarding the Royal Dutch Shell Holding Company, the same considerations appeared to apply as in the case of the Anglo Iranian Oil Company, but there appeared to be much greater reluctance on the part of the Justice Department regarding dropping that Company.

Mr. Emmerglick agreed to take these matters into consideration with the Attorney General later in the afternoon. Mr. Metzger agreed to be in Mr. Emmerglick's office for the 2:00 o'clock meeting with the ARAMCO representatives, at which time the stipulation as to documents will, it is hoped, be consummated.[2]

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[2] No record was found in Department of State files of the scheduled 2 p.m meeting between Emmerglick, Metzger, and ARAMCO representatives, nor of the scheduled 4 p.m. meeting between Attorney General Brownell and Emmerglick.

Editorial Note

On April 21, 1953, the Department of Justice filed civil suit in the United States District Court for the District of Columbia (Civil Action No. 1779-53) against Standard Oil Company (New Jersey), Socony-Vacuum Oil Company of California, the Texas Company, and Gulf Oil Corporation, charging these companies with establishing a "combination and conspiracy and monopolization" in violation of the Sherman Antitrust Act and the Wilson Tariff Act. The text of this action is printed in United States Senate, Committee on Foreign Relations, Subcommittee on Multinational Corporations, *The International Petroleum Cartel, the Iranian Consortium and U.S. National Security,* 93d Cong., 2d sess. (Washington, 1974), pages 35-46.

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 140th Meeting of the National Security Council on Wednesday, April 22, 1953[1]

TOP SECRET EYES ONLY

Present at the 140th Meeting of the National Security Council were the President of the United States, Presiding; the Vice President of the United States; the Acting Secretary of State; the Acting Secretary of Defense; and the Acting Director for Mutual Security. Also present were W. Randolph Burgess, for the Secretary of the Treasury; the Secretary of the Interior (for Item 4); the Director, Bureau of the Budget; the Chairman, Atomic Energy Commission (for Item 5); the Director of Defense Mobilization; the Federal Civil Defense Administrator (for Item 5); Robert LeBaron, Department of Defense (for Item 5); General Vandenberg, for the Chairman, Joint

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[1] Prepared on Apr. 23 by Deputy Executive Secretary of the NSC Gleason.

Chiefs of Staff; the Director of Central Intelligence; Sherman Adams, Special Assistant to the President (for Item 3); the Special Assistant to the President for National Security Council Affairs; the Special Assistant to the President for Cold War Planning; the Special Assistant to the President for Atomic Energy Matters; the Military Liaison Officer; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

There follows a general account of the main positions taken and the chief points made at this meeting.

[Here follow an oral briefing by the Director of Central Intelligence on significant world developments affecting United States security and a discussion of the situation in Korea.]

3. National Security Problems Concerning Free World Petroleum Demands and Potential Supplies (NSC Action No. 756 [2])

The National Security Council:

Confirmed the following action on the subject taken at the last meeting of the Council on April 8:

> a. Concurred in the statement which the Attorney General proposed to make to the court with respect to termination of the Grand Jury proceedings in the so-called oil cartel case, institution of a civil action under the anti-trust laws, and constitution of a committee drawn from governmental departments and agencies to screen evidence and segregate from public disclosure evidence with national security implications.
>
> b. Noted that the Secretary of State agreed with the decision in a above to discontinue the criminal proceedings, but believes that the institution of a civil suit would seriously prejudice United States foreign relations unless the proceedings are conducted with due regard for all matters affecting such foreign relations as well as national security.
>
> c. Recommended that the President request the Attorney General to initiate a restudy of the anti-trust laws with particular attention to the provisions relating to operations by Americans wholly outside of the United States.
>
> d. Recommended that the President press for an extension, beyond its present expiration date, of Section 708 of the Defense Production Act of 1950, as amended,[3] relating to voluntary agreements to further the objectives of said Act.
>
> e. Approved that public announcement of the action under a above be made by the Attorney General and at a time determined by him.[4]

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[2] Regarding NSC Action No. 756, see the memorandum of discussion at the 139th meeting of the National Security Council, Apr. 8, p. 1346.

[3] P.L. 774, enacted Sept. 8, 1950; for the text, see 64 Stat. 799.

[4] The wording of this action had been the subject of correspondence between the Special Assistant to the President, Robert Cutler, and Secretary of State Dulles. Attached to a memorandum of Apr. 14 from Cutler to Secretary Dulles was a draft

Continued

Note: The above actions have been approved by the President, and a, b, c and e transmitted to the Attorney General for implementation.[5]

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record of action to be confirmed at the Apr. 22 meeting of the NSC, which Cutler said Attorney General Brownell had approved. The wording of this draft was identical to the action as subsequently approved at the meeting except for paragraph b, which reads, "Noted that the Secretary of State, while not opposing the action in a, believes that a civil suit will seriously prejudice U.S. foreign relations in the Middle East unless the proceedings are conducted with due regard for all matters affecting the national security." (800.2553/4-1453) In a memorandum of Apr. 20 to Cutler, drafted by Legal Adviser Phleger, Secretary Dulles suggested that paragraph b be rephrased as follows: "Noted that the Secretary of State agreed with the decision in a to discontinue the criminal proceedings but believes that the institution of a civil suit would seriously prejudice United States foreign relations. Recommended that this matter be given further study." (800.2553/4-1453)

[5] The entire action was designated NSC Action No. 766. (S/S-NSC (Miscellaneous) files, lot 66 D 95, "Records of Action")

800.2553/7-2953

Memorandum of Conversation, by the Deputy Director of the Office of International Materials Policy (Armstrong)

CONFIDENTIAL WASHINGTON, July 29, 1953.

Subject: Foreign Petroleum Policy and the Anti-Trust Proceedings

Participants: Mr. James Terry Duce—ARAMCO
Mr. Waugh—E
Mr. Armstrong—OMP

Mr. Duce came to call on Mr. Waugh, to discuss general foreign petroleum problems. The net effect of his suggestions and comments was as follows:

1. The world petroleum industry needs continual expansion if the amount of consumption predicted for 1975 by the Paley Commission Report [1] is to be possible.
2. The only place where such expansion can occur is in the Middle East.
3. The Middle Eastern area is characterized by weak and unstable governments, and all questions of foreign petroleum operations in the area must be handled with delicacy and care.
4. The anti-trust suit has been injurious to the positions of the companies abroad and has been of potential danger to United States national security.
5. There should be a governmental commission, for which the oil companies would be prepared to do the necessary staff work, which should decide what reforms the companies would make. Acceptance by the companies of these reforms should make it possible to call off the anti-trust suit.

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[1] Regarding the Paley Commission Report, see footnote*, p. 1319.

6. Such a commission was proposed by Mr. Duce last fall, and obtained some support within the Government, but has apparently been dropped by the present Administration.

7. The new Foreign Economic Policy Commission of seventeen members,[2] which is the subject of current legislation, should be called upon to do this task, so that security of operation for the oil companies could be assured.

In the course of Mr. Duce's presentation, Mr. Waugh commented to the effect that he was certain that the Attorney General had every intention of conducting the anti-trust suit proceedings in such a way that foreign policy problems are fully recognized. Mr. Waugh said that he would be glad to pass on to the Administrative Assistant to the President Mr. Duce's suggestion that the Foreign Economic Policy Commission look into the oil issue, but in making this comment Mr. Waugh pointed out that the main problem the Commission would have to consider was that of general commercial policy, and that it would have very little time in which to do its work, since its report would be due in March 1954 and it does not yet exist as an entity. Mr. Armstrong commented that he had examined in some detail, during the fall of 1952, the amount of work which it would be necessary for any government petroleum policy commission to do if it were to get a clear picture of the issues and problems requiring resolution. It was his conclusion that it would be impossible for the proposed Foreign Economic Policy Commission or a subcommittee of it to get the work done properly within the allotted time.[3]

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[2] The Commission was established as a result of the enactment on Aug. 7, 1953, of the Trade Agreements Extension Act of 1953. For the text of the act, see 67 Stat. 472. For documentation regarding the establishment of the Commission, which was headed by Clarence B. Randall, see pp. 49 ff.

[3] Attached to the source text was a memorandum of July 31 from Armstrong to Assistant Secretary Waugh, in which Armstrong stated that, if a commission or committee were to be set up, "it should be confined to Government people, because the problem cannot be comprehended properly except with the use of a good deal of classified information." While Armstrong pointed out that in some respects coordination of foreign petroleum policy was already being handled quite well within the government, he thought that at some point it might be a good idea "for a formal governmental arrangement to be made to develop an explicit policy." He added, however, that he did not think that time had yet arrived. In the margin of this memorandum was Waugh's handwritten note that he agreed with this view.

Editorial Note

During the fall and winter of 1953, there was considerable discussion within the United States Government of the need of the new Iranian Government, headed by Premier Fazollah Zahedi and supported by the Shah, for oil revenues and the effect of this situation on the Department of Justice's civil suit against certain oil companies. This matter was discussed at the 160th meeting of the National Security Council on August 27, 1953; at the 178th meeting of the NSC on December 30, 1953; and at the 180th meeting of the NSC on January 14, 1954. A plan was proposed to establish an international oil consortium in Iran; and, in a letter of January 21, 1954, to President Eisenhower, Attorney General Brownell stated his opinion that the plan, which included the participation of some American oil companies, was not in violation of the antitrust laws, subject to certain conditions. He also said that his opinion did not limit the rights of the Department of Justice in continuing its civil suit against Standard Oil Company of New Jersey and other oil companies. For the memoranda of discussion at these NSC meetings and the text of Brownell's letter, as well as other documentation related to the civil suit against the oil companies, see volume X.

811.2553/4-954

The Under Secretary of State (Smith) to the Attorney General (Brownell) [1]

SECRET [WASHINGTON,] April 9, 1954.

MY DEAR MR. ATTORNEY GENERAL: On January, 1954, the Department received a letter [2] from attorneys representing Socony-Vacuum Oil Company, Inc., Standard Oil Company of California and The Texas Company in connection with the pending civil antitrust suit against these companies. In this letter the oil companies requested an opportunity to place before the Department of State and other interested agencies the results of their investigation concerning the probable effects on United States interests of pursuing the case against them. This request apparently resulted from a suggestion made in Judge Stanley N. Barnes' letter of December 24, 1953,[2] to a representative of one of the companies.

On January 23, 1954, representatives of the companies concerned met representatives of this Department, the Department of Defense and the Central Intelligence Agency and presented evidence of the effect upon United States interests which may be expected to follow prosecution of this suit.[3] A transcript of this presentation was transmitted to Judge Barnes shortly thereafter. Since then the Department of State has sought and obtained the views of our Ambassadors in the Near East concerning this question and has made an intelligence estimate of it. I enclose two copies of this estimate for your consideration.

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[1] Drafted by A. David Fritzlan of the Office of Near Eastern Affairs and Armstrong and cleared by Fritzlan with Phleger, Kalijarvi, and Eakens. A note on the source text indicates that the original letter was delivered by special messenger on Apr. 10.

[2] A copy of the letter under reference here is in file 800.2553/4-554.

In view of the conclusions reached in the estimate, it is my hope that arrangements can be made to settle the suit without protracted proceedings or publicity which would serve to damage United States interests in the Middle East.[4]

Sincerely,

WALTER B. SMITH

[Attachment]

Memorandum by Herbert J. Liebesny of the Division of Research for Near East, South Asia, and Africa to the Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Byroade) [5]

SECRET [WASHINGTON,] April 1, 1954.

Subject: Estimate of the Consequences of the Prosecution of the Pending Civil Suit Against Certain Oil Companies in the US

The Problem

To estimate the consequences for US national security interests in the Middle East* of the prosecution of the pending civil suit against certain American oil companies.

Scope

This estimate considers the consequences in the Middle East of a vigorously pressed, protracted civil suit. It is assumed that there will be extensive evidence on the points raised in the government's complaint and that the suit will be widely publicized in all its phases. No attempt will be made to forecast the nature of an eventual judgment in the suit or to estimate the actual economic consequences for the companies or the local governments of such a judgment, except insofar as speculations on the eventual outcome of the suit may influence reaction to the suit in the Middle East.

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[3] For extracts of a 57-page transcript of the discussion at this meeting, see volume IX.

[4] No reply to this letter has been found in Department of State files.

[5] The memorandum was sent to Assistant Secretary Byroade through Philip H. Tresize, the Deputy Director of the Office of Intelligence Research. There is no indication on the source text as to who drafted the memorandum.

*For purposes of this estimate the Middle East is defined to comprise Aden, Bahrein, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Muscat, Qatar, Saudi Arabia, Syria, Trucial Oman, and Yemen. Israel and Turkey are excluded. [Footnote in the source text.]

The consequences of prosecution of the civil suit will be considered solely from the point of view of US national security interests, which are assumed to comprise (a) maintenance of stable governments friendly to Western objectives, (b) maintenance of control of Middle Eastern oil resources by US or Allied Western interests, (c) maintenance of Western military facilities in the area, and (d) denial of Middle Eastern resources and strategic facilities to hostile interests. Consequences for the private interests will be considered only as far as they affect directly or indirectly the US national security interests. It is assumed that general world conditions and the basic aims of US foreign policy will remain essentially the same (i.e., that no general war will break out), that there will be no renewal of large scale Arab-Israeli hostilities, that the cold war will continue, and that the US cold war objectives will not undergo a significant change.

Background for the Estimate

1. *Basic Factors Affecting the Estimate.*

The US national security interest in the Middle East in its basic aspect is concentrated upon keeping the area available to the West and denying it to the Soviet Bloc. Availability of the area is considered important because of the increasing role of the area's petroleum resources in the supply of the West and because of the strategic position of the area as a whole. Under the assumption of continued cold war it has been considered essential that the oil resources of the Middle East be available to Western Europe so as to avoid the depletion of Western hemisphere resources during the period of cold war. If control of these oil resources by the West is lost, an element of chance would be injected which may make advance planning difficult. As the Iranian example has shown, the aftermath of nationalization stopped the flow of oil from that country for several years and made the development of alternate sources of crude oil mandatory. Even if the flow of oil is restored, control by a government not friendly to the West or by unfriendly private sources might lead to an interruption of the flow at some critical juncture in East-West relations thereby providing interests hostile to the West with an additional means of pressure and strategic and economic advantage.

The strategic position of the West in the Near East can be maintained without a significant increase of Western military force in the area only if there are in the Middle Eastern countries stable governments friendly to the West. The stability of the governments of the Middle East is in many instances closely related to the continued exploitation of oil resources and the steady flow of oil revenue. This dependence probably is greatest in Saudi Arabia but it is true to a significant degree also in the other oil producing areas such as Kuwait, Bahrein and Iraq. Iran's pressing financial problems are not likely to be solved satisfactorily without the restoration of the flow of oil revenue. Up to the present time all important Middle Eastern oil resources have been controlled by Western companies. Nationalization has been carried out only in Iran and is not believed to be an immediate threat in any of the other oil producing countries. Since approximately 1948, however, there has been an acute and ever increasing pressure on the part of the governments of the oil producing countries for higher oil revenues and this trend is likely to continue. It is likely to receive a stimulus if the Iranian oil controversy is resolved in such a manner as to give Iran real or apparent benefits which the Arab governments feel that they are not receiving.

The fact that there is significant participation by the respective governments in major British and French oil companies in the Middle East is well-known to the local governments and peoples. As a result, the interests of the oil companies and the interests of their home governments are frequently considered very closely linked and local grievances against one almost automatically become grievances against the other. The fact that the US adheres strictly to the principle of free enterprise and does not participate in the American companies exploiting oil resources in the Middle East, does not make any appreciable difference in this approach. The concept of large and interlocking corporate entities, such as the oil companies with their various subsidiaries constitute, is difficult for the average Middle Easterner to grasp, as are the complicated financial transactions involved in the operations of these companies. Therefore, it is difficult for the Middle Easterner in general to discern the difference between private companies operating independently, supported by their government only when they need such diplomatic support to preserve their acquired rights, and companies which actually come close to being instrumentalities of their home governments. This does not mean that the local governments are wholly unaware of the difference between the relationship of US companies to their government and that of British and French companies to theirs. However, it is difficult for them to realize that this difference is basic and not merely in the degree and form of influence.

Nationalist and leftist propaganda in the Middle East has exploited this close link in the Middle Eastern mind between oil companies and Western governments to represent the former as "tools of imperialism" and instrumentalities of the Western governments through which they exercise political and economic control in the Middle East. In addition this propaganda has stressed the theme that the oil companies use all possible means to exploit the Middle Eastern countries and to deprive the people of their just share in their countries' natural resources.

The US is a relative newcomer to this area both with regard to large-scale economic as well as strategic and political interests. However, in this short span of time it has become deeply involved in the controversies affecting the area. The Palestine War significantly lowered the prestige of the US in the Arab states because of alleged partiality toward Israel and the continued tension between the Arab states and Israel has not allowed the suspicion of US motives to subside. In addition, nationalist and leftist propaganda have frequently pictured the US either as fully supporting alleged British imperialist moves in the area or as attempting to replace the UK in the position of prime "imperialist" power.

The actual relationship between the US and the UK in the region has been marked by collaboration on the broad questions of security facing the West in the Middle East. However, British and US aims are not identical, since the UK is attempting to preserve the remnants of its imperial position in the Middle East and to consolidate its control in selected areas, such as for example the Persian Gulf principalities as far as feasible. With regard to oil, too, the aims of the US and the UK are parallel but not identical. While the oil resources of the Middle East are of importance to the US primarily from the viewpoint of its NATO defense interests rather than from the standpoint of domestic requirements, the UK's principal source of oil is the Middle East.

The aims of the USSR in the Middle East can probably best be characterized at this time as being directed toward denial of the area to the Free World as a base and source of raw materials in case of a crisis. While it may be true that the Soviet Bloc does not need the Middle Eastern oil resources under present cold war conditions, it would be very advantageous to it if Western Europe could be made to feel that continued availability of Middle Eastern oil is in last analysis dependent on Soviet good will.

2. *The Impact of Earlier Disclosures.*

Aside from these general considerations, the extent and impact of the publication of the "Report of the Federal Trade Commission on the International Petroleum Cartel" and of the criminal suit which was dropped will have to be taken into account in estimating the consequences of a sustained and vigorously pressed civil suit. Before the publication of the FTC report it was estimated that the effects of that publication would significantly aid Soviet propaganda in the Middle East and adversely affect the US position. The immediate tangible effects of the publication and the institution of the criminal suit were not as severe as anticipated. This may in part have been due to the fact that the more potentially damaging portions of the report were deleted before publication. In addition, in the fall of 1952 the attention of the Middle East public was rapidly drawn away from the report and the suit by the ouster of King Faruq and the events following it in Egypt, the worsening of the Iranian situation, and the possible effects for the Middle East of the forthcoming presidential elections in the US. However, the governments were aware of the existence of the report and of its implications and there have been definite indications that they were ready to use it against the oil companies should occasion warrant. The Saudi Government had the report translated into Arabic and used it during negotiations with Aramco. The stay in criminal proceedings in January 1953 and the dropping of the criminal suit in April 1953 further removed the oil cartel issue from public attention in the Middle East. The filing of a civil suit as such does not appear to have aroused great or sustained interest, probably because it was a technical move which was not followed by any intensive action and was not accompanied by large-scale publicity.

Estimate

1. *General.*

It is not estimated that a vigorously pressed and widely publicized civil suit will provoke entirely new trends in the Middle East or that any failure to press the civil suit will of necessity prevent the development or the intensification of trends adverse to Western interests in the Middle East. It is believed, however, that revelations in the course of a civil suit with their attendant publicity could intensify adverse trends and provide interests hostile to the US and its Allies with effective propaganda material.

2. *Effects Upon the Attitude of Middle Eastern Governments.*

The effects of a vigorously pressed civil action upon the attitude of the Middle Eastern governments would vary from country to country. The character and the intensity of these reactions would depend not only on the nature of the arguments made and the evidence produced in the suit, but also on such variables as the policy objectives the individual government may have at the moment; the state of its relations with the companies, with the US and with other Western powers at the time; and, to some extent, on cold war and general Middle East political developments.

In general, effects are likely to be most adverse in areas where local pressures on the companies have been strongest. In Iran, it is probable that the suit would not lead the Zahedi government to refuse to reach an agreement with the oil companies, since the Zahedi government is strongly inclined toward such an agreement. However, those elements in Iran which are strongly opposed to any foreign participation in the production of Iranian oil could utilize the revelations during a civil suit, along with other arguments, to make it more difficult for the Zahedi government to "sell" the oil agreement to the general public and to obtain parliamentary ratification. Should these elements again come to power in Iran they might well use such revelations to justify complete ousting of foreign interests from the Iranian oil picture.

However, even if there are no immediate tangible adverse effects in Iran, Iranian developments may increase adverse reactions in the neighboring oil producing Arab states. Should US companies be permitted to combine with other Western companies for the exploitation and marketing of Iranian oil while combinations of oil companies in the Arab states are at the same time under attack in court by the US Government, the governments of the Arab states involved will be very likely to reach the conclusion that the US is applying two yardsticks—one for Iran where the Palestine question is not involved and where the US feels "it has to come to the support of the British," the other in the Arab states where the US does not want to give any decisive help because of the Arab-Israeli tension.

In Saudi Arabia governmental reactions to the civil suit are likely to be twofold. On the one hand there will probably be bewilderment that the US Government regarded as Saudi Arabia's fast friend, is moving against major American commercial interests in the Middle East with the likelihood of hurting Saudi Arabia economically. It is not to be ruled out that the strongly anti-Israeli King might see some pro-Zionist angle in the pressing of the civil suit, even without taking Iranian developments into account. On the other hand the Saudi Government may conclude that the company should be more urgently pressed for increased revenues since it apparently made profits which were far too large. These two reactions may at first glance seem contradictory. However, Western logic cannot be applied to Middle Eastern reactions which are likely to be governed more strongly by emotions than by coldly logical deductions. In addition, the Saudi Government will probably be impressed much more by superficial deductions and conclusions stemming from isolated facts than by a careful, reasoned analysis of the whole suit which is likely to be beyond comprehension even of most of their experts except the very few who have at least some training in Western law.

In Iraq, the suit may not have an immediate effect upon the standing of the oil companies there since US firms hold only a minority interest in the Iraq Petroleum Company (IPC) and its subsidiaries. In addition, the present Iraqi Government and its probable successors (unless the complexion of the government changes radically) may not want to use the suit as means of pressure for increased revenues. They may regard it as more politic to await the results of Saudi pressure on Aramco and then move against IPC.

Reaction among the governments of the Persian Gulf principalities will probably be extremely limited since these governments are under effective British control and could not move freely unless present British controls were considerably relaxed.

In view of the present uncertain situation in Egypt, governmental reaction there is difficult to predict. However, it is very probable that whatever the complexion of the Egyptian Government, it will be preoccupied by the questions of the Suez Canal and of the Sudan. While revelations of the suit may be taken as another indication of "imperialist machinations" they are unlikely to influence governmental attitudes very strongly.

In the non-producing countries which have granted pipeline transit rights—Jordan, Lebanon and Syria—governmental reactions to the suit are likely to manifest themselves in increased pressures for greater benefits from the pipeline companies, thereby merely intensifying an existing trend. Here too increased suspicion of US as well as company aims may result.

An additional possible effect of a prolonged suit on all governments of the Middle East countries may be the raising of doubts as to the security of their oil revenues and the usefulness of continued negotiations or dealings with the oil companies. Such a reaction is likely to come later, when speculations as to the eventual outcome of the suit may become strong with an outcome adverse to the oil companies being forecast. It is unlikely that the governments would be able to evaluate the consequences of a possible judgment against the oil companies beyond the fact that the oil companies operating within their borders would be affected seriously. At that point the governments might even begin to ask themselves whether they should not try to find other interests to take over the exploitation of the national oil resources or perhaps approach some form of nationalization.

3. *Effect on Non-Governmental Attitudes.*

In most Arab states outside the Arabian Peninsula, the urban middle group constitutes the politically articulate element. This group is growing, in general is dissatisfied with its economic and political position within Middle Eastern society and supplies most of the leaders and supporters both for nationalist and leftist movements. It is generally hostile to the former imperial powers, Great Britain and France, and strongly resents what it regards as support given to these powers and to Israel by the US. This group is likely to seize immediately upon any issue which would put US motives into question. Revelations made during the suit are likely to be played up by the Middle Eastern press which frequently indulges in sensationalism. They may then be used by elements in the middle group to support their argument that the US cannot be trusted, that it tolerated exploitation of the Middle Eastern countries by the oil companies for a long time and even now stepped in not because it had the interests of the Middle Eastern countries at heart but because of internal US political reasons or possibly in order to help Israel or the UK. The longer the suit lasts, the more sustained and sensational the publicity and the more detailed the evidence, the more profound and widespread are the effects of this exploitation of the suit by middle group elements likely to be.

4. *Communist and Fellow Traveler Reactions.*

In pursuance of their ultimate strategic goal of swinging the Middle East into the Soviet orbit, the Communists are taking the initial tactical approach of attempting (a) to eliminate Western economic interests from the Middle East as a step in isolating the area from the West and (b) to undermine all non-Communist governments or groups in power by identifying them as willing tools of Western economic "exploitation." The section of the press dominated by Communists or fellow travelers took the line in 1952 especially in Beirut, the center of Communist propaganda machine activities in the Arab states, that the FTC report demonstrated what the Communists had always contended: namely that the oil companies were exploiting the Middle East. Therefore it was argued, "popular" demands for the nationalization of the oil companies was justified. It is likely that a prolonged and vigorously pressed civil suit will bring not only a revival but an intensification of this propaganda line. It could be utilized with some chance for success in attempts to jeopardize negotiations between the governments and the oil companies for increased benefits by publicizing the belief that the oil companies are not to be trusted, that the governments are falling into the traps set by "international monopolies," and that the solution of the Middle East's oil problem is nationalization and not negotiation. It should be pointed out that Communist and fellow traveler propaganda is likely in any event to stress the alleged sinister motives and the need for nationalization. However, the allegations made and facts divulged and broadcast during a civil suit would provide these groups with additional propaganda material which would have the great advantage from a propaganda viewpoint of not being wild accusations but statements made in a US court. It is to be expected that propaganda by local Communists and fellow travelers will be supported by similar propaganda from Moscow.

5. *Effects of Adverse Reactions on Other Western Interests in the Middle East.*

Strong adverse reactions in the Middle East to a civil suit may also reflect upon other Western interests, especially oil interests, in the area. Middle Eastern opinion and least of all Soviet and Communist propaganda are not likely to distinguish between American and non-American companies, especially since the latter are involved in the suit and evidence showing their dealings with the American defendants in the suit is likely to be submitted. Therefore, it is likely that whatever adverse reactions there are will be directed against the oil companies in general. By the same token, any "anti-imperialist" propaganda derived from facts established or allegations made during the suit is likely to be extended to all Western countries with interests in the Middle East and not restricted to the US.

6. *Effects on Relations Between the US and Its Allies in the Area.*

While it is unlikely that the civil suit and attendant propaganda will have a decisive influence on the relations between the US and its allies in the area, it may exacerbate existing tensions and difficulties. The relations between American and non-American oil interests are likely to be affected to some degree. British oil interests have not always approved of the methods of operation of American oil companies in the Middle East, feeling that they were too prone to give in too easily to local government pressure. The possible revelations of the suit and the uncertainties created thereby are likely to reinforce the feeling particularly on the part of British interests, that collaboration with American interests is difficult. The overall impression might also be created among our European allies that the US does not have a clear cut and forceful Middle Eastern policy and that the US Government allows itself to be swayed by the contingencies of the domestic political situation in the US.

7. *Conclusions: Probable Overall Effects on the US National Security Interests in the Middle East.*

A protracted and vigorously pressed civil suit is likely to intensify the already existing atmosphere of suspicion and distrust with regard to the aims in the Middle East of the US and the Western powers in general. The exact extent of the damage that might be done is difficult to estimate since the intensity of the exploitation of the suit in adverse propaganda will depend to a considerable degree on the general political situation developing in the Middle East. However, it is estimated that the overall effect will be damaging and will render the achievement of US policy goals more difficult. The prestige of the US, already impaired as a consequence of the Arab-Israeli conflict, is likely to be further lowered if it is revealed that companies regarded for so long more or less as symbols of the US, have indulged in practices strongly disapproved by their government. Uncertainty about US aims is likely to be increased and the willingness to believe in announced US policy goals may possibly be affected. While hardly the decisive element in US relations with the Middle East the suit is likely to constitute a potent aid to those elements in and beyond the Middle East which wish to diminish if not eliminate the role of the US in that area.

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 210th Meeting of the National Security Council on Thursday, August 12, 1954[1]

TOP SECRET EYES ONLY

Present at this meeting were The President of the United States, presiding; the Vice President of the United States; the Secretary of State; the Secretary of Defense; the Director, Foreign Operations Administration; and the Director, Office of Defense Mobilization. Also present were the Acting Secretary of the Treasury; the Secretary of Commerce (for Item 1); the Director, Bureau of the Budget; the Chairman, Atomic Energy Commission (for Item 4); the Secretary of the Army, the Secretary of the Navy, and the Secretary of the Air Force (for Items 5 and 6); General Twining for the Chairman, Joint Chiefs of Staff, the Chief of Staff, U.S. Army, Vice Admiral Gardner for the Chief of Naval Operations, and General Pate for the Commandant, U.S. Marine Corps (for Items 5 and 6); Robert R. Bowie, Department of State (for Items 1, 2 and 3); Marshall Smith, Department of Commerce (for Item 1); Walter S. Delany, Foreign Operations Administration (for Item 1); the Director of Central Intelligence; the Assistant to the President; Robert Cutler, Special Assistant to the President; the Executive Secretary, NSC; and the Coordinator, NSC Planning Board Assistants.

There follows a summary of the discussion at the meeting and the main points taken.

[Here follows discussion of economic defense policy and United States export controls.]

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[1] Prepared on Aug. 13 by the Coordinator of the NSC Planning Board Assistants, Marion W. Boggs.

2. Study of Anti-Trust Laws (NSC Action No. 766–c [2])

Mr. Cutler reported that the Attorney General had appointed a committee of 100 legal experts to restudy the anti-trust laws, with particular attention to provisions relating to operations by Americans wholly outside the United States. This committee was expected to conclude its work this week, and the Attorney General would be prepared, pursuant to NSC Action No. 766–c, to submit his recommendations on the subject in time for consideration by the Council at its meeting on September 30.

The National Security Council:

Noted a report by Mr. Cutler that the Attorney General, pursuant to NSC Action No. 766–c, would be prepared, before September 30, 1954, to submit his recommendations, based on a restudy of the anti-trust laws, with particular attention to existing provisions relating to operations by Americans wholly outside the United States.[3]

Note: The above action subsequently transmitted to the Attorney General.

[Here follow a briefing by the Director of Central Intelligence on significant world developments affecting United States security and discussion of the question of cooperation with other nations in the peaceful uses of atomic energy, of the redeployment of United States forces in Trieste, United States policy in the Far East, and the status of National Security Council projects.]

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[2] Regarding NSC Action No. 766, see the memorandum of discussion at the 140th meeting of the National Security Council, Apr. 22, 1953, p. 1351.

[3] This action was designated NSC Action No. 1200. (S/S–NSC (Miscellaneous) files, lot 66 D 95, "Records of Action")

S/S–NSC (Miscellaneous) files, lot 66 D 95, "Miscellaneous Memos, 1954"

The Assistant Attorney General (Barnes) to the Executive Secretary of the National Security Council (Lay) [1]

SECRET WASHINGTON, October 29, 1954.

Re: NSC Action 766c,[2] that the Attorney General would be prepared to submit his recommendations, based on a restudy of the antitrust laws with particular attention to existing provisions relating to operations by Americans wholly outside the United States

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[1] Attached to the source text was a copy of a memorandum of Nov. 1, 1954, from Lay to the National Security Council transmitting Barnes' preliminary report and

Continued on next page

DEAR MR. LAY: The Attorney General will probably not receive the report of his National Committee to Study the Antitrust Laws before January 1955. Because of this fact, he has requested Stanley N. Barnes, Assistant Attorney General in charge of the Antitrust Division and one of the Co-Chairmen of the Committee, to discuss with the National Security Council the probable recommendations that group will make.

As background, it should be emphasized that Congress has in language unequivocal expressed its purpose that antitrust should apply to "commerce . . .[3] with foreign nations." So it is that the Sherman Act applies to "commerce among the several states or with foreign nations . . ." (15 U.S.C. (1952) 1, 2, 3). And Section 8 of that Act specifies that "the word 'person' includes corporations 'existing' under the laws 'of any foreign country.' " (15 U.S.C. (1952) 8) In like fashion, the Clayton Act covers within its definition of commerce "trade or commerce . . . with foreign nations." (15 U.S.C. (1952) 12) And the Wilson Tariff Act of 1894 applies to those "engaged in importing any article from any foreign country into the United States." (15 U.S.C. (1952) 8) Similarly note the Tariff Act of 1930 (19 U.S.C. (1952) 1337); and the anti-dumping provisions of the Revenue Act of 1916 (15 U.S.C. (1952) 72).

Further emphasizing Congressional design that antitrust law apply generally to foreign commerce is the fact that Congress saw fit carefully to limit the immunities granted to American corporations operating abroad by the Webb-Pomerene Act of 1918. Thus the antitrust exemption that law grants is limited to associations

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Continued from previous page

noting that the Attorney General's definitive recommendations on the subject were not expected to be ready for submission to the Council prior to the Committee's final report in January 1955. A note on this memorandum indicates that copies of Barnes' preliminary report were also sent to the Secretary of the Treasury, the Attorney General, the Director of the Bureau of the Budget, the Chairman of the Joint Chiefs of Staff, and the Director of Central Intelligence.

[2] Regarding NSC Action No. 766-c, see the memorandum of discussion at the 140th meeting of the National Security Council, Apr. 22, 1953, p. 1351.

[3] Ellipses and brackets throughout in the source text.

"entered into for the sole purpose of engaging in export trade" or agreements "made . . . in the course of export trade by such association" (15 U.S.C. 62, 1952). The Act applies only, however, where the association or act "is not in restraint of trade within the United States and is not in restraint of the export trade of any domestic competitor of such association" (15 U.S.C. 62, 1952). And the Supreme Court, construing Webb–Pomerene, has observed that there "is a strong indication that there was no thought of depriving the Attorney General of any of his powers to prosecute antitrust suits." (*United States Alkali Export Ass'n* v. *United States*, 325 U.S. 196, 211 (1945)). As one lower court put it, it seems clear "whatever exemptions the Webb Act did bestow upon associations organized thereunder, it affirmatively appears upon the face of the statute that Congress did not intend thereby to abandon the rule of competition as applied to our export trade" (66 F. Supp. 59, 67, S. D. N. Y. 1949).

I. Scope of the Committee's Inquiry

At the outset it should be understood that the Committee is not a fact-finding body. The group has no subpoena powers, has been supplied with no research or fact-gathering staffs. There will therefore be no generalizations as to the past effects of antitrust on achievement of national security foreign policy, or on international trade groups. Instead of generalizing about past policies, it will make recommendations built on the treatment by the courts of various problems with an eye toward avoiding any future policy conflicts.

II. Amendment of Antitrust Laws as Applied to Foreign Commerce

The American Bar Association Committee on International Trade Regulation in its August 1953 report on the Impact of the Antitrust Laws on Foreign Trade recommends that "antitrust laws . . . [should be] clearly and explicitly amended to eliminate their extraterritorial effect and to keep their application to the foreign commerce of the United States within due bounds." (Id. at 36) More specifically, that report recommends legislation legalizing certain combinations between United States competitors unless such combinations "directly or substantially restrain the foreign commerce of the United States or substantially decrease competition between the owners of the enterprise in the domestic market of the United States." (Id. at 37)

This and like proposals have been discussed at various work group meetings, as well as by the entire Committee, in Ann Arbor. One or two members have spoken in favor of such Sherman Act amendment. The Committee apparently believes, however, these problems can best be solved by judicial and administrative construction of existing law, rather than by statutory amendment.

And suggestions hereinafter enumerated for construction of the existing law go, in the opinion of the Committee, a long way toward meeting many of the difficulties the ABA sought to treat by way of amendment.

Prognostication: No amendment of the Sherman Act, as applied to foreign commerce.

III. Extraterritorial Jurisdiction

The Committee apparently believes that in taking jurisdiction over acts committed abroad by Americans alone, by Americans joined with foreign nationals, and by foreign nationals whose deeds affect the foreign commerce of the United States, the Department should at all times consider questions of international comity.

A. It should be here recalled that both *American Banana Company* v. *United Fruit Company* (213 U.S. 347 (1909)) *U.S.* v. *Aluminum Company of America* (148 F. 2d 416 (2nd Cir. 1945)) rested conclusions regarding extraterritorial application on "the international complications" likely to stem from over-extension of antitrust jurisdiction. As Judge Hand expressed the thought in *Alcoa* (148 F. 2d 416), "we are concerned only with whether Congress chose to attach liability to the conduct outside the United States to persons not in allegiance to it. . . ." The Court then says that if Congress intended to impose the liability and if the Constitution permitted it to do so, the Court cannot look beyond the Congressional intent properly expressed in law. Nevertheless:

> "It is quite true that we are not to read general words, such as those in this Act, without regard to the limitations customarily observed by nations upon the exercise of their powers; limitations which generally correspond to those fixed by the 'Conflict of Laws.' We should not impute to Congress an intent to punish all whom its courts can catch, for conduct which has no consequence within the United States. . . . On the other hand, it is settled law—as 'Limited' [one of the corporate defendants] itself agrees—that any state may impose liabilities, even upon persons not within its allegiance, for conduct outside its borders that has consequences within its borders which the state reprehends; and these liabilities other states will ordinarily recognize. . . . It may be argued that this Act extends further. Two situations are possible. There may be agreements made beyond our borders not intended to affect imports, which do affect them, or which affect exports. Almost any limitation of the supply of goods in Europe, for example, or in South America, may have repercussions in the United States if there is trade between the two. Yet when one considers the international complications likely to arise from an effort in this country to treat such agreements as unlawful, it is safe to assume that Congress certainly did not intend the Act to cover them."

Prognostication: The Committee will approve the intent and spirit of the foregoing

B. As a practical matter, the Committee will probably emphasize the use of clauses in decrees, whether by judgment or consent, similar to the ones discussed in *British Nylon Spinners, Ltd.* v. *Imperial Chemical Industries, Ltd.* (All Engl. L. Rep. Vol. 2, p. 780, 784 (1952)). As the concurring opinion there observed; "[T]here is a saving clause which prevents any conflict, because, although the defendant company has been ordered to do certain acts by the United States Court, nevertheless there is a provision which says that nothing in the judgment shall operate against the company for action taken in complying with the law of any foreign government or instrumentality thereof to which the defendant company is for the time being subject. In view of that saving clause I hope that there will be no conflict between the orders." For similar decree provisions see *United States* v. *General Electric Co., et al.* (82 F. Supp. 753 (D. C. N. J. 1949)), (115 F. Supp. 835 (D. C. N. J. 1953)) and *In re Investigation of World Arrangements with Relation to the Production, Transportation, Refining & Distribution of Petroleum* (13 F.R.D. 280 (D.C. D.C. 1952)).

Prognostication: The Committee will recommend use of such saving clauses.

C. The Committee apparently feels that the Attorney General should consult with the National Security Council before instituting antitrust action in a foreign field. This is an apparent effort to avoid problems that may have stemmed from the institution of proceedings in the oil cartel case. Resolution of conflict in any case between antitrust and our foreign or security needs could thus be reconciled, in accord with the classic dictates of *United States* v. *Curtiss-Wright Corp.* (299 U.S. 304), by the President through his appointed representatives.

The Committee seems to agree that the prime responsibility in this area rests not on the Attorney General, but on the President. As the Supreme Court put it in the *Curtiss-Wright* case:

> "In this vast external realm . . . the President alone has the power to speak or listen as the representative of the nation. . . . He manages our concerns with foreign nations. . . . It is important to bear in mind that we are here dealing not alone with authority vested in the President by an exertion of legislative power, but with such an authority plus the very delicate, plenary and exclusive power of the President as the sole organ of the federal government in the field of international relations—a power which does not require as a basis for its exercise an act of Congress, but which, of course, like every other governmental power, must be exercised in subordination to the applicable provisions of the Constitution." (Id. at 319–320)

Prognostication: Recommendation that the Attorney General consult with the National Security Council on any antitrust action involving foreign commerce.

IV. Measuring Injury to Foreign Commerce of the United States

The fear that injury to foreign commerce might be measured solely by reference to export and import of goods was engendered by certain dicta in *United States* v. *Timken Co.* (341 U.S. 593 (1949)) and *United States* v. *Minnesota Mining and Manufacturing Co.* (92 F. Supp. 947 (D.C. Mass. 1950)). In *Timken*, argument was advanced that foreign trade and exchange restrictions made it necessary for the defendants to operate abroad "through the ownership of stock in companies organized and manufacturing there." (341 U.S. 593, 599) While it would have been sufficient to answer that argument by pointing out that even in its own terms it did not justify illegal combination with *a major competitor* abroad, the Court went further commenting,

> "that the provisions in the Sherman Act against restraints of foreign trade are based on the assumption, and reflect the policy, that export and import trade in commodities is both possible and desirable. These provisions of the Act are wholly inconsistent with appellant's argument that American business must be left free to participate in international cartels, that the free foreign commerce in goods must be sacrificed in order to foster export of American dollars for investment in foreign factories which sell abroad."

This contention, the Court said, "would make the Sherman Act a dead letter. . . . If such a drastic change is to be made, Congress is the one to do it." (Id. at 599)

This statement was not necessary to answer the defense argument—if the case is viewed as one of combination between an American company and its British competitor. Nevertheless, its possible implication that any American investment for production abroad involves *pro tanto* a restraint on American exports of goods deserves careful consideration and possible rejection.

This doubtful construction of the dictum in *Timken* is supported by certain language in *United States* v. *Minnesota Mining and Manufacturing Company* (92 F. Supp. 947 D. C. Mass., 1950). That case concerned the legality of an arrangement through which four American competitors, which with their associates had formerly done over 86% of the American export business in the relevant market, had combined to run factories in England and Canada. The decree requires joint control of the foreign companies to be abandoned. For the conclusion of illegality, two reasons are advanced: (1) the combination of important, perhaps dominant, American competitors in the ownership of a foreign subsidiary restrains the foreign commerce of the United States, through its effect on American exports; and (2) by way of dictum, the association of American competitors abroad develops habits in restraint of trade which would adversely affect their competition at home. The Court continued, however, to say:

> "it is no excuse for the violations of the Sherman Act that supplying foreign customers from foreign factories is more profitable and in that sense is, as defendants argue, 'In the interest of American enterprise' [Def. Rep. Br. 31]. Financial advantage is a legitimate consideration for an individual non-monopolistic enterprise. It is irrelevant where the action is taken by a combination and the effect, while it may redound to the advantage of American finance, restricts American commerce. For Congress in the Sherman Act has condemned whatever unreasonably restrains American commerce regardless of how it fattens profits of certain stockholders. Congress has preferred to protect American competitors, consumers and workmen." (Id. at 962)

At another point, the *Minnesota Mining* Court said that any factory established abroad by a single American company would "be a restraint upon American commerce with foreign nations" although not accomplished by combination or conspiracy, and hence not in violation of Section 1.

Insofar as *Minnesota Mining* holds the Sherman Act applicable to combinations between a dominant group of American competitors, and *Timken* to combinations between a dominant American company and its chief foreign competitor, their basic reasoning seems correct. However, these dicta, taken out of context, should not develop into a mercantilist policy of discouraging American investment abroad in the name of protecting American manufacturing. The basic aims of the Sherman Act require that the words "trade and commerce" have the same scope in their application to foreign as to domestic commerce. The Sherman Act is not of course intended to protect foreign consumers against monopoly in their home markets. Instead its operative hypothesis in the foreign field should be to encourage the competitive allocation of American resources to investment either at home or abroad depending on the usual indicia of profit, in the interest of maximizing the long-run economic welfare of the United States. This may involve the export and import of goods or the receipt of dividends, interest, and profits on foreign investments. Both types of transactions have the same place in United States' balance of payments and may contribute equally to well being of the American people.

Prognostication: The Committee will recommend that the Courts should recognize that foreign commerce includes not only export and import of goods but also capital invested. In this way national foreign commerce objectives can best be reconciled with antitrust enforcement.

V. National Foreign Trade Policy

Antitrust must not hinder the nation's foreign trade policy efforts to overcome foreign political and economic barriers to American trade and investments abroad.

A. As the Court put it in *United States* v. *Minnesota Mining and Manufacturing Company* (92 F. Supp. 947, 958 (1950)):

> "It is axiomatic that if over a sufficiently long period American enterprises, as a result of political or economic barriers, *cannot export directly or indirectly* from the United States to a particular foreign country at a profit, then any private action taken to secure or interfere solely with business in that area, whatever else it may do, does not restrain foreign commerce in that area in violation of the Sherman Act. For, the very hypothesis is that there is not and could not be any American foreign commerce in that area which could be restrained or monopolized.
>
> "Since there is no offense against the foreign commerce clause of the Sherman Act if political or economic conditions meet the conditions of the hypothesis just stated," the Court went on, "it is legitimate for defendants to show such political and economic conditions, if they exist."

Prognostication: The Committee will probably support this reasoning.

B. There exists a difference of opinion over whether the Sherman Act should apply where it is not impossible to do business abroad but merely more convenient to do business abroad by means which, if employed in domestic commerce might violate the antitrust laws. Again, to refer to the words of the Court in the *Minnesota Mining* case:

> "It is not [here] claimed that the United Kingdom imposed a legal ban upon imports of abrasives. Nor is it asserted that economically no American coated abrasives could be profitably exported to the British market. The precise contention is that it was economically impractical to continue to export to Britain a large volume of such abrasives. Stated in another way this means . . . only that it was more profitable to make abrasives in Britain than to export them to Britain." (92 F. Supp. 947, 959 D.C. Mass. (1950))

As a result, the Court found:

> "as an ultimate fact that defendants' decline in exports to the United Kingdom is attributable less to import and currency restrictions of that nation and to the preferential treatment afforded to British goods by British customers than to defendants' desire to sell their British-made goods at a large profit rather than their American-made goods at a smaller profit and in a somewhat (but not drastically) reduced volume." (Id. at 961)

Prognostication: The Committee may likely be unable to reach agreement on this subject, and there may be a minority expression of opinion.

VI. The Defense Production Act

This Act authorizes Government officials to consult with business and other groups in order to encourage voluntary action to carry out national defense objectives. Under it, the President may request members of an industry to enter into a voluntary agreement or program, upon a finding that it is vital to the national defense. No act or omission to act pursuant to any such voluntary agreement, the Act provides, shall be construed to be within the prohibitions of the antitrust laws *while the Act is in effect.*

A. In practice, the President has delegated his power to request voluntary agreements principally to the Office of Defense Mobilization (ODM). Upon such delegation under the Act, all requests for voluntary agreements are conditioned upon the approval of the Attorney General. Under the procedure now in effect, the Attorney General, upon submission by ODM, considers such proposed agreements and, prior to approval, seeks to have the parties conform them to the antitrust laws insofar as possible, having in mind the objectives of the particular agreement or program. The Attorney General has recognized, of course, that some activities, otherwise illegal, such as those involving cooperation between competitors in defense projects, have been necessary to accomplish the purposes of the Act. Approximately 70 voluntary agreements or programs have been thus approved. In only one or two cases has approval been withheld, and in these cases alternative plans have been worked out.

Prognostication: The Committee will recommend that at least with respect to programs for preserving the supply of critical and strategic materials from abroad, the Defense Production Act should be further extended.

B. The Committee has discussed larger exemptions. It has been suggested that for a designated period beyond the Act's expiration, conduct requested or approved by the President shall not be subject to antitrust. Conduct authorized by the President may require committing large funds for long periods of time—indeed, periods that may stretch beyond the Act's short extensions. To protect such investments, antitrust immunity should, in some instances, be extended beyond the Act's termination.

However, such immunity should be conditioned upon express findings when the conduct was undertaken: first, that national defense required its duration beyond the expiration of the Defense Production Act; and second, that before granting the immunity, consideration was given to the possibility of accomplishing the same defense objectives by alternative methods involving less restriction on competition.

Prognostication: The Committee will probably recommend thus broadening the Defense Production Act.

Respectfully submitted,

STANLEY N. BARNES

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 223d Meeting of the National Security Council on Tuesday, November 9, 1954 [1]

TOP SECRET EYES ONLY

Present at the 223rd meeting of the National Security Council were the President of the United States, presiding; Under Secretary Hoover for the Secretary of State; the Secretary of Defense; the Director, Foreign Operations Administration; and the Director, Office of Defense Mobilization. Others present were the Secretary of the Treasury; the Attorney General (for Items 2 and 3); the Director, Bureau of the Budget; the Director, U.S. Information Agency; Assistant Attorney General Barnes (for Item 3); the General Counsel, Department of Defense (for Item 2); Thomas J. Donegan, Special Assistant to the Attorney General (for Item 2); the Acting Chairman, Joint Chiefs of Staff; Assistant Director Botkin, Office of Defense Mobilization (for Item 5); the Director of Central Intelligence; Robert Cutler, Special Assistant to the President; Robert R. Bowie, Department of State; the NSC Representative on Internal Security; the White House Staff Secretary; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

There follows a summary of the discussion at the meeting and the main points taken.

[Here follows discussion of the redeployment of United States forces in Trieste and a uniform clearance program for individuals other than full-time federal employees who required access to classified information.]

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[1] Prepared on Nov. 10 by Deputy Executive Secretary of the NSC Gleason.

3. Anti-Trust Laws Affecting Activities Outside the U.S. (NSC Actions Nos. 766-c and 1200;[2] Memo for NSC from Executive Secretary, same subject, dated November 1, 1954[3])

In the course of his briefing, Mr. Cutler indicated that the final report based on the findings of the large committee which had been assembled in the Department of Justice would be ready in January 1955. In the present interim report Judge Barnes would attempt to guess the results of the findings of the committee. Mr. Cutler then invited Judge Barnes to play the part of Cassandra, but to confine his prognostications to fifteen minutes.

Judge Barnes at the outset stressed the fact that his remarks were indeed prognostications and should not be considered firm predictions. He then proceeded to summarize his guess as to the decisions which would be reached in the final report.

At the conclusion of Judge Barnes' oral statement, Mr. Cutler said that as he understood it, and despite the fact that he had not practiced law for ten years, the present report does not indicate the likelihood that the Attorney General would suggest any basic changes in the fundamental anti-trust laws such as the Sherman Act. Nevertheless, as far as he could see and understand the law, Mr. Cutler said that certain activities conducted by American companies, though wholly overseas, would have at least some impact on United States foreign and domestic commerce. Accordingly, the Department of Justice could reach out and claim to control such activities outside the United States. The Attorney General does not propose to try to change the basic law which permits such control. As a result, each time that the Department of Justice determines that it should proceed into litigation with such a United States company, it will first have to come to the National Security Council to see whether or not the national security is involved.

The Attorney General said that Mr. Cutler's idea was correct, but that he himself would phrase the matter differently. We would not, continued the Attorney General, probably try to change the Sherman Act, but we can get the flexibility we desire from the point of view of the national security by simply amending the Defense Production Act. In very close cases, moreover, Justice would not move against such an American company without consulting the Departments of State and Defense.

The President commented that the only instances in which the National Security Council (as opposed to the Cabinet) has any interest in these anti-trust cases is when considerations of national security are involved in them. It is for this reason that the Attorney General must go along with the idea that when national security issues are plainly involved, he is on safe ground in not suing the company in question for breach of the anti-trust laws. The Attorney General replied that this was indeed the spirit of the present report.

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[2] Regarding NSC Action No. 766-c, see the memorandum of discussion at the 140th meeting of the National Security Council, Apr. 22, 1953, p. 1351. Regarding NSC Action No. 1200, see the memorandum of discussion at the 210th meeting of the National Security Council, Aug. 12, 1954, p. 1365.

[3] This memorandum transmitted to the NSC Barnes' report of Oct. 29, *supra*.

Secretary Humphrey expressed the belief that the Attorney General should try somehow to eliminate from the law provisions which applied to the conduct of operations by American companies conducted entirely overseas. In other words, the Department of Justice should move against such American companies only if the practices they followed overseas had a very direct effect on U.S. commerce. The NSC should be called upon to exercise its discretion just as little as possible. Secretary Hoover agreed in general with Secretary Humphrey, and said there should be some specific protection for these American companies in the law if possible.

Secretary Wilson said he assumed that the Attorney General in his deliberations would also consider such problems as patents, know-how, and management. He said he saw a great need for clarification of the anti-trust laws. Many business men simply did not know the legal and correct thing to do.

Secretary Humphrey said he could assure the Attorney General that we all realized how very dangerous it would be to attempt to change the nation's basic anti-trust laws, but that we all recognized the changed world which had come about since these laws were enacted. Accordingly, a clarification was necessary.

Dr. Flemming pointed out that the Defense Production Act would expire on June 30, 1955, at which time it would be necessary to ask for an extension and revision of the law. He hoped that he would have timely guidance from the Department of Justice with respect to amending the present Act.

Governor Stassen thought that if the fundamental anti-trust laws were not to be changed, it would certainly be necessary to formulate new legislation to deal with the problem of American corporations conducting business entirely outside of U.S. territory. Both the Attorney General and the Secretary of the Treasury thought that the point made by Governor Stassen could be covered by recourse to amending the Defense Production Act. They repeated their view of the dangers of resorting to the current expedient of asking the President to decide whether or not to invoke the anti-trust law against such an American corporation on the basis of an NSC recommendation involving considerations of national security.

The President expressed the opinion that it would be desirable for the National Security Council to provide the Attorney General with a study of the kind of changes that the United States would be facing in this area in the coming years. This would provide the Attorney General with a basis for developing new anti-trust legislation which would not only assist the legitimate activities of American firms, but have the added advantage of helping the economies of friendly foreign nations. The Attorney General said that he would be delighted to receive such suggestions and studies from the Treasury Department and the Foreign Operations Administration. Governor Stassen suggested the addition of the Department of Commerce, and went on to say that it might be useful if a representative group of American business men engaged in operations outside the United States could be brought together to explain their problems to the Department of Justice.

Judge Barnes pointed out that 70 agreements dealing with this problem had already been approved under the Defense Production Act. Secretary Hoover, however, noted that the provisions of the Defense Production Act applied only to critical and strategic materials. Its terms of reference should therefore be expanded.

Mr. Cutler inquired whether this issue could be covered in new legislation to be presented at the next session of Congress in the interest of carrying out the recommendations of the Randall Committee.[4] The Attorney General replied by suggesting possible procedure for drafting new legislation and sending it up for consideration by the Congress at the new session in January.

The National Security Council:

a. Noted and discussed a preliminary report on the subject by Assistant Attorney General Barnes transmitted by the reference memorandum.

b. Requested the Attorney General to consider the possibility of appropriate legislation which would clarify and encourage the conduct of operations by U.S. companies outside of U.S. territory when such operations are in the U.S. interest and do not substantially affect U.S. foreign and domestic commerce.[5]

Note: The action in b above subsequently transmitted to the Attorney General.

[Here follow a briefing by the Director of Central Intelligence on significant world developments affecting United States security and discussion of reports on electromagnetic communications, United States policy toward Iran and Finland, and the status of National Security Council projects as of November 1.]

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[4] The Commission on Foreign Economic Policy, established in Aug. 1953 and headed by Clarence B. Randall, issued its report on Jan. 23, 1954. For documentation regarding the report, see pp. 49 ff.

[5] This action was designated NSC Action No. 1263. (S/S–NSC (Miscellaneous) files, lot 66 D 95, "Record of Actions")

FOREIGN POLICY ASPECTS OF CONGRESSIONAL LOYALTY AND SECURITY INVESTIGATIONS, 1950-1954

113/2-1150: Telegram

The Deputy Under Secretary of State for Administration (Peurifoy) to Senator Joseph R. McCarthy[1]

WASHINGTON, February 11, 1950—2 p.m.

In view of your statement carried by the press that there are "57 card-carrying Communists" in the State Department,[2] I respectfully request that you make these names public or submit them to the Department of State. It would seem to me that if you have this information, as a loyal American you owe it to your country to inform the officials responsible for any such characters existing in the government. As you know our employees have been checked and are being checked by the Federal Bureau of Investigation under the President's loyalty program and if you have proof that there are card-carrying members of the Communist Party in this Department I assure you that they will not remain in this agency. I assume that you have given your information to the FBI. Therefore we will communicate with that agency immediately. Needless to say, the thousands of loyal employees of this Department must not be placed under a cloud of suspicion and I should appreciate it if you will promptly publish the names of the departmental employees whom you say are members of the Communist Party.

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[1] The telegram was sent to the Senator at the Mapes Hotel, Reno, Nevada.

[2] Deputy Under Secretary Peurifoy's reference was to press reports of Senator McCarthy's speech at Wheeling, West Virginia, on Feb. 9, 1950. The precise contents of that speech quickly became the subject of contention. On Mar. 27, 1950, William E. Rine, Managing Director of radio station WWVA in Wheeling, sent to William O. Player, Special Assistant to the Assistant Secretary of State for Public Affairs, a 13-page "copy of Senator Joseph McCarthy's speech made over WWVA in Wheeling on the evening of February 9", in response to a telephone request by Player.

On Apr. 24, 1950, Adrian S. Fisher, the Legal Adviser to the Secretary of State, wrote Rine acknowledging receipt of the transcript sent on Mar. 27 and requesting whether "we could be informed by those who actually heard the speech being delivered whether the speech as actually delivered included the following language contained on page 7 of the text which you transmitted to us:

"'And ladies and gentlemen, while I cannot take the time to name all the men in the State Department who have been named as active members of the Communist Party and members of a spy ring, I have here in my hand a list of 205 . . . a list of names that were made known to the Secretary of State as being members of the Communist Party and who nevertheless are still working and shaping policy in the State Department.' "

Enclosed with Fisher's request are notarized affidavits by Paul Myers, Program Director of station WWVA and Whittaker, the station's news editor, stating that the transcript of the Senator's speech given to the Department of State on Mar. 27 represented a true facsimile of the Senator's remarks. All of the above documents are in Department of State file 113/3-2750.

JOHN E. PEURIFOY

Secretary's Daily Meetings, lot 58 D 609

Memorandum of Conversation, by William J. McWilliams of the Executive Secretariat

SECRET WASHINGTON, February 13, 1950.

Subject: Summary of Daily Meeting With the Secretary

Participants:
- The Secretary
- Mr. Webb
- Mr. Rusk
- Mr. Peurifoy
- Mr. Kennan
- Mr. Nitze
- Mr. Thompson
- Mr. McFall
- Mr. Lehrbas
- Mr. Battle
- Mr. McWilliams

Item 1. *Charges made by Senator McCarthy* [Action: Mr. Reber][1]

There was a long discussion about the charges of Senator McCarthy and what should be done about them. The conclusion of the discussion was that we should take an aggressive attitude in denying these charges since they have no basis in fact.

Mr. Peurifoy passed around a copy of the telegram[2] he sent to Senator McCarthy on Saturday which called upon him to furnish the information which he claims to have to the Department. The Secretary gave his approval to the release of the telegram to the press.

It was also agreed that Mr. Peurifoy should have a press conference on this subject this afternoon and that Mr. Peurifoy and Mr. McFall should get someone in the Senate to be the spokesman in the Senate to answer the charges.

[Here follow Agenda Items 2 and 3: "European Integration" and "Congressional Matters," respectively.]

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[1] Brackets in the source text.

[2] *Supra.*

Editorial Note

Immediately after Senator McCarthy began his series of charges against the Department of State, the decision was made to place all responsibility for dealing with Congressional charges against and investigations of the Department in the Office of the Deputy Assistant Secretary of State for Administration, John Peurifoy, rather than in the Office of the Assistant Secretary of State for Congressional Affairs, Jack K. McFall. McFall described the making of this decision in an oral history interview in 1967. He stated, *inter alia:*

> "Inasmuch as politics would inevitably be injected into the continuing charges and the Department's denials, I brought the matter before the Secretary at the morning staff meeting, with the view of settling the issue as to which office in the Department should be given the responsibility of handling the Department defense against the McCarthy charges. I pointed out that I was seriously concerned that if my office were to take on this charge, it would essentially draw me and my office into the vortex of the issue and would serve seriously to impair the bipartisan approach to all issues I had scrupulously endeavored to follow. Again, it became clearly evident that if this office was to become involved in this type of activity, we could do so *only* at the cost of our effectiveness in furthering the Department's legislative program. The Secretary agreed fully with the reasoning and the responsibility for the whole matter was placed in the hands of the Deputy Secretary for Administration."

McFall's oral history interview is in Cornell University Program in Oral History; Interview of Jack K. McFall, April 18, 1967.

Secretary's Daily Meetings, lot 58 D 609

Memorandum of Conversation, by William J. McWilliams of the Executive Secretariat

SECRET WASHINGTON, February 21, 1950.

Subject: Summary of Daily Meeting With the Secretary

Participants:	The Secretary	Mr. McFall
	Mr. Webb	Mr. Merchant
	Mr. Rusk	Mr. Thompson
	Mr. Peurifoy	Mr. Fisher
	Mr. Nitze	Mr. Battle
	Mr. Barrett	Mr. McWilliams

Item 1. *McCarthy charges*

Mr. Peurifoy reported to the Secretary on the McCarthy speech in the Senate last night.[1] He said Senators McMahon and Lucas[2] did yeoman duty on behalf of the Department. Senator McCarthy did not name any names but went into the cases which apparently are the same ones that have been gone into a half-dozen times before. Senator Lodge has indicated that he would introduce a resolution to refer the investigation to a subcommittee of the Senate [Foreign] Relations Committee.[3] Mr. Peurifoy said he had indicated his agreement to this move by Senator Lodge; and, he thought the Secretary should indicate to Senator Connally his agreement to this move.[4]

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[1] For the text of Senator McCarthy's speech, see *Congressional Record*, vol. 96, pt. 14, p. 1952.

[2] Senator Brien McMahon (D.-Conn.); Senator Scott W. Lucas (D.-Ill.).

There was a discussion as to the advisability of appointing a committee of three distinguished citizens who could go into the files involved in the McCarthy charges and make a report on them. Mr. Webb suggested that the White House be checked on this point and Mr. Peurifoy left the meeting to do so. He subsequently reported that Mr. Dawson had informed him the President did not favor action of this type since he had already appointed a loyalty board composed of distinguished citizens to take care of these matters.[5]

Prior to the Secretary's departure for the ECA hearings, Mr. Peurifoy talked to him further to give him a line on what to say to Senator Connally.

[Here follow Agenda Items 2 and 3: "Senate Appropriation Hearings" and the "Bulgarian Case".]

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[3] See footnote 2, *infra*.

[4] Senator Tom Connally (D.-Tex.).

[5] The Loyalty Review Board was established by Executive Order 9835, of Mar. 21, 1947; for text, see 12 *Federal Register* 1935.

Truman Library, President's Secretary's file, General

Memorandum by the Administrative Assistant to the President (Dawson) to the Secretary to the President (Connelly)[1]

SECRET [WASHINGTON,] March 16, 1950.

Re phone conversation Thursday afternoon.

Senator Tydings has asked that there be made available to him, as soon as possible, a statement of the terms and conditions under which the President is prepared to make investigative files available to the Committee under S. Res. 231.[2] In a conversation with

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[1] Connelly was aboard the Presidential yacht *Williamsburg*, and the memorandum was radioed to him. The source text is the copy of the message as received and typed on the *Williamsburg*; it carries the *Williamsburg* letterhead.

[2] On Feb. 22, 1950, the U. S. Senate adopted Resolution 231 which reads, in part, as follows: "*Resolved*, That the Senate Committee on Foreign Relations, or any duly authorized subcommittee thereof, is authorized and directed to conduct a full and complete study and investigation as to whether persons who are disloyal to the United States are or have been employed by the Department of State." A subcommittee under Senator Millard Tydings (D.-Md.) was duly created under the provisions of Resolution 231 and held hearings between early March and late June. The record of the subcommittee hearings is published as U.S. Senate, Senate Subcommit-

Continued

Peurifoy Wednesday, he suggested that a special room be set aside in the Capitol in which the files could be brought, one at a time, for the Committee to inspect them. He referred to a conversation with the President in which he was assured that the files would be made available and, while he recognized that the conditions which he suggested might not be acceptable to the President, he would like to know what terms and conditions would be acceptable. Peurifoy said he would take this matter up with you but made no commitments to Senator Tydings. Subsequently Senator Tydings made his press release but when questioned by Peurifoy said he realized the President would call the signals and that, although he felt he had a general commitment, he had made his statement for tactical reasons in order to smoke out McCarthy's information.

Attorney General feels that you should withhold your decision on files until McCarthy has actually supplied all the information which he has to back up his charges. However, State feels that issuing statement at this time is important as it will help Senator Tydings hold the line and prevent further public smear sessions. In the event the State Department's view is followed they have suggested the following statement to Senator Tydings to be made public:

1. On March 21, 1947, I instituted the Federal Employees Loyalty Program.[3] I started this program not because I distrusted the employees in the Federal Government but because I thought that the people of the country were entitled to be certain of the loyalty of their employees and because I felt that any federal employee who might be charged with disloyalty was entitled to a regular procedure consistent with our American democratic principles of justice and fair play to clear his name. Mr. Seth Richardson, a former assistant Attorney General under President Hoover, and a capable board were appointed to supervise this program. This group, together with those responsible for the program in the various departments and executive agencies, have done a good job.

2. In connection with the execution of the program, various demands have been made by Congressional committees for access to the reports, records, and files relating to this program. Since the days of our first President, George Washington, it has been recognized that under our Constitution the President of the United States has the right to refuse to divulge confidential information outside of the executive branch of the government where he believes it would not be to the best interests of the country to do so. It has been my judgement that, except under extraordinary circumstances, the just and efficient administration of the Employees Loyalty Program requires that the reports, records, and files in respect to it be kept in a confidential status. To do otherwise would seri-

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tee of the Committee on Foreign Relations, *State Department Employee Loyalty Investigations*, 81st Cong., 2d sess. (Washington, 1950).

[3] Executive Order 9835.

ously weaken the national security by hindering the operations of the Federal Bureau of Investigation and other investigative agencies. It would also subject government personnel to unfounded or disproved allegations and would make it more difficult to insure a fair and just disposition of loyalty cases. For this reason, on March 15, 1948, I issued a directive[4] that all requests for the confidential reports, records, and files with respect to the program should be referred to me so that a determination could be made as to what is the best thing to do in the public interest.

3. A charge has been made that, despite the existence of the loyalty program, there are employed by the Department of State persons who are disloyal to the United States. A special subcommittee of the Senate Committee on Foreign Relations has been set up to investigate these charges. A prompt decision as to whether these charges are true or have been made in bad faith is a matter of great importance to the United States and to the world. These charges appear to be based in large part either on cases which have been discussed in public many times or on partial, one-sided extracts of files which were made available for inspection by the House Appropriations Committee in the fall of 1947 before the issuance of my directive. In these cases the damage which might be done to the individual involved as a result of making these files available has already been done. For these reasons I am prepared to make available to the members of the subcommittee, under the conditions outlined below, the full records, reports, and files of all persons who are or who recently have been employed by the Department of State against whom a charge of disloyalty has been made. I am sure that the committee does not intend to engage in a fishing expedition and for that reason, in requesting access to a file they should state what evidence they have in their possession which makes it necessary to investigate a charge of disloyalty.

4. I am sure that we are all agreed that nothing should be done which will impair the effectiveness of the Federal Bureau of Investigation or make its important work more difficult. For that reason I must insist that the records, reports, and files shall not leave the control of the President, that they be inspected in the White House, and that such inspection be surrounded with certain safeguards. In view of the importance of the issues involved and the importance of preserving the integrity of these files, I am sure the committee will not object to my insistence that the inspection be limited to the members of the committee themselves and that no copies or extracts of the material be made and taken from the White House.

5. However, in order that the committee shall have all the information necessary for its work, I am designating a special representative who, in any case in which the committee, after it has examined the file, so requests, will prepare a summary of the file drawn so as to prevent any disclosure of sources of information, investigative methods, or other information which might hamper the investigative processes. When the committee, after comparing this

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[4] "Memorandum to all Officers and Employees in the Executive Branch of the Government"; for text, see 13 *Federal Register* 1359.

summary with the file, agrees that it is a fair and accurate one, it will be made available to the committee for its records, with the understanding that the names of the individuals or other material which identifies them will not be made public unless it is necessary for an individual to meet the charges which have been made.

6. I recognize that there is a danger that this action will be misconstrued and will lead to requests for files and other situations. It does not constitute in any sense a waiver of the constitutional powers of the President or a precedent as to how those powers should be exercised in the future. (*End of statement*)

It is suggested that a man of the stature of Arthur Flemming, Marcellus Shields, Sidney Mitchell, John J. Parker, or Lee Wiggins be designated as a special assistant to the President for the purpose mentioned above. It is felt advisable to have a special representative of the President prepare summaries to avoid McCarthy's charge that the committee was spoonfed by the very people it is investigating, the State Department.

DAWSON

Truman Library, PSF-General file

Memorandum by the Attorney General of the United States (McGrath) to the President

SECRET [WASHINGTON,] March 17, 1950.

It is my understanding that the Department of State has asked you for permission to reveal to the subcommittee of the Senate Foreign Relations Committee established pursuant to S. Res. 231, 81st Congress, the contents of the investigative files concerning those persons against whom Senator McCarthy has proferred charges before the subcommittee.[1]

As you know, there is no question as to your authority to withhold these files from the subcommittee. The only question is whether, as a matter of policy, you deem it advisable to make them available. I strongly urge that you withhold permission to make the files available to the subcommittee. Your directive of March 13, 1948, to all officers and employees in the executive branch of the government pointed out that the efficient and just operation of the Employee Loyalty Program required that all reports, records, and files in connection with the program be preserved in strict confidence. You pointed out that this was "necessary in the interest of our national security and welfare, to preserve the confidential character and sources of information furnished, and to protect government personnel against the dissemination of unfounded or disproved allegations." Unless there are special reasons of which I am not aware, existing at the present time which compel a different practice, I suggest that the confidential nature of these loyalty files be maintained and preserved. It seems to me that any deviation from this policy, even under the conditions outlined by the Department of State, would create an unfortunate precedent and would do much more harm than good.

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[1] See footnote 2, *supra*.

It is pertinent at this time to repeat once again the very appropriate statement made by former Attorney General Jackson in a letter dated April 30, 1941, to the Chairman of the House Committee on Naval Affairs, declining to furnish that committee with certain reports of the Federal Bureau of Investigation.

Moreover, disclosure of the reports would be of serious prejudice to the future usefulness of the Federal Bureau of Investigation. As you probably know, much of this information is given in confidence and can only be obtained upon pledge not to disclose its sources. A disclosure of the sources would embarrass informants—sometimes in their employment, sometimes in their social relations, and in extreme cases might even endanger their lives. We regard the keeping of faith with confidential informants as an indispensable condition of future efficiency.

Disclosure of information contained in the reports might also be the grossest kind of injustice to innocent individuals. Investigating reports include leads and suspicions, and sometimes even the statements of malicious or misinformed people even though later and more complete reports exonerate the individuals, the use of particular or selected reports might constitute the grossest injustice, and we all know that a correction never catches up with an accusation.

Disclosure of the documents here in question would, it seems to me, seriously impair the effectiveness of the Employee Loyalty Program. It would make it extremely difficult, if not impossible, for the Federal Bureau of Investigation to perform its investigative duties under the program. And it would also subject the persons in question to a type of double jeopardy which is contrary to sound concepts of good government, fairness, and justice.

In this connection I should like to point out to you the views of the Director of the Federal Bureau of Investigation which he submitted to me in a recent report:

> 1. The public disclosure of FBI reports will reveal investigative procedures and techniques. If publicized, criminals, foreign agents, subversives, and others would thus be forewarned and seek ways and means to carry out their activities, thus avoiding detection and hampering the efficiency of an investigative agency. The underground operations of criminals and subversives already are most

difficult of detection and I do not believe the security of the nation would be furthered by applying any additional shackles to the FBI.

2. For the past 25 years, the FBI has represented to the American public that the FBI would maintain their confidences. To make public FBI reports would be to break confidences and persons interviewed in the future might be even more reluctant to furnish information. In recent months, on numerous occasions, some citizens, shirking their responsibility, have refused to furnish information on the grounds that it might be misused and have gone so far as to decline to furnish information, even in applicant investigations, claiming they would do so only if forced by a subpoena.

3. A public disclosure of FBI reports would reveal the identity of sources of information and in some cases at least, would place in jeopardy the lives of confidential sources of information.

4. Disclosure of information contained in FBI reports might result in an injustice to innocent individuals, who find themselves entwined in a web of suspicious circumstances, which can be explained only by further investigation, and disclosures might be made under circumstances which would deny the aggrieved to publicly state their positions.

5. A public disclosure could warn persons whose names appear in FBI reports of the investigation and serve as an effective means of enabling them to avoid detection, to approach witnesses, to bring about the destruction of evidence or permit them to flee the country.

6. Public disclosure of FBI reports could contribute to blackmail of persons investigated or could result in degrading persons who have made a mistake or fallen prey to false propaganda.

7. Disclosures might reveal highly restricted information vital to the national security and of considerable value to a foreign power.

8. A complete and thorough investigation in certain types of cases, of necessity must reveal administrative procedures, trade practices, and manufacturing operations which, if publicized, would enable persons with a subversive or ulterior motive to misuse information.

9. FBI reports are prepared for official usage only and in setting forth full details secured from a witness, if publicized, could be subject to misinterpretation, quoting out of context, or used to thwart truth, distort half truths, and misrepresent facts.

As an alternative to permitting the subcommittee to inspect the files, it is my suggestion that you might, in the interest of making it clear to the public that you do not wish to withhold the information in question, transmit the files to the Loyalty Review Board, as to whose competence and impartiality in these matters there can be no question, and request the Board to review the files and report its findings, with respect to each person against whom Senator McCarthy has brought charges, in the light of the factual evidence adduced before the subcommittee. I believe that the consultation of the Board and its record are such the public as well as the Congress is entitled to have complete confidence in its integrity and operations. There could then be no charge that the people being investigated were the very people making the decisions as to the merits of the charges, and turning the files over to the Board would be in keeping with existing procedures, which are intended to safeguard both the integrity of the loyalty program and of investigative procedures and the rights of individuals.

Should you decide, notwithstanding the views herein expressed, that reasons of policy exist for making the files in question available to the subcommittee, I strongly urge that, in order to do a minimum of harm to the public interest, no file with respect to any individual be made available unless and until the subcommittee advises you in writing that Senator McCarthy has made out to the satisfaction of the subcommittee a prima facie case of disloyalty with respect to that particular individual.[2]

Respectfully

J. HOWARD MCGRATH

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[2] In a letter of Mar. 28, 1950, President Truman informed Senator Tydings that he refused to allow the Senate subcommittee access to the loyalty files of executive department employees. At the same time, the President asked the Loyalty Review Board to examine all the confidential files of federal employees accused by Senator McCarthy of disloyalty. The text of the President's letter to Senator Tydings is printed in the *New York Times*, Mar. 29, 1950, p. 6.

Editorial Note

On March 20, 1950, the Department of State dispatched an unnumbered circular telegram to 34 Embassies, 6 Legations, 3 Consulates, the Office of the High Commissioner for Germany, and the Political Adviser at Tokyo asking for a prompt summary of press and public reaction to the current Congressional loyalty investigations. (113/3–2050)

Chargé Holmes at London reported in telegram 1555, dated March 22, that initial amusement over the investigations had begun to turn into concern as to whether the authority and prestige of the highest officials of the Department of State would be affected and why no one of prominence in the government or within the Republican Party had come to Secretary Acheson's defense. (113/3–2050) Chargé Bonbright at Paris in telegram 1378, dated March 24, summarized French press reaction which generally took the line that Ambassador Jessup, the "very man commissioned with studying ways of stemming Communism in Far East should be questioned on his own anti-Communist record." The Communist press in France, Bonbright noted, contented itself with observing that recently 900 professors at the University of California had refused to take a loyalty oath. (113/3–2450)

The Chargé at Moscow, Walworth Barbour, reported in telegram 962, dated March 26, that *Izvestia* had devoted one and one-half columns to the Congressional loyalty investigations which it characterized as "something between group performance of clowns, circus arena and amateur evening madhouse." (113/3–2650)

Additional telegrams from other Embassies, Legations, and Consulates are in file 113.

A/MS files, lot 54 D 291, "McCarthy Report Materials, 1950–52"

Senator Joseph R. McCarthy to the Secretary of State

WASHINGTON, April 1, 1950.

Thursday.[1] Produced in the Senate and turned over to the F.B.I., photostats of checks totaling $3,500 representing Communist funds which were received by the organization which was largely controlled by Mr. Jessup—the same Mr. Jessup who is now your Ambassador-at-Large. The photostats show that the checks were cashed, which leaves no room for doubt as to whether those Communist funds were actually accepted.

As you know, the first check of $1,000 was given shortly before Mr. Jessup's publication pioneered the program of smearing the Nationalist Government in China and lavishly praising the Chinese Communists.

The second batch of Communist money, in the amount of $2,500, was received at a time when Mr. Jessup's publication was one of a three-horse team which rather effectively convinced the State Department and many Americans that everything about the Nationalist Government was corrupt and that the Communists actually were comparable to "conservative midwest farmers" and really represented "democracy" in China.

As you know, the other two members of this three-horse team were the Communist *Daily Worker* in this country and the Soviet publication *Izvestia* in Russia.

To date there has been no attempted explanation of the very shocking and disturbing fact that Mr. Jessup's publication was being financed with Communist funds while selling the Communist Party line. In fact, not even the usual angry denial was made.

As you know, the photostatic proof of $3,500 being turned over to your Ambassador's organization was gotten under extremely difficult circumstances. This would seem to raise a serious question as to how much more Communist funds were used by this organization.

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[1] Presumably this was Mar. 30, 1950. According to the Senate subcommittee report it was on this day that Senator McCarthy first made his charges against Ambassador at Large Philip Jessup; see *State Department Employee Loyalty Investigations*, p. 38.

I think that as Secretary of State it is incumbent upon you to make Mr. Jessup immediately try to explain to the American people (1) why he accepted Communist funds; and (2) whether he thinks that he was being paid for the use of his publication to sell the Communist Party line or whether he was so naive as to believe that Communists are so charitable that they merely wanted to make him a gift?

In making your answer I would suggest that you not think the American people are so gullible as to believe that Mr. Jessup did not know the identity and background of Frederick Vanderbilt Field, who signed the checks. Mr. Jessup obviously knew that Mr. Field has proclaimed and bragged about the fact that he is a Communist, and he also knew that he is using the funds which he inherited from his mother to further the cause of Communism.

Mr. Jessup also knows that this is the same Mr. Field who led the organization which picketed the White House until June 22, 1941, using the foulest adjectives in the Communist language to villify President Roosevelt as a war monger because he was helping the Allies. Mr. Jessup knows that the above Field-led picket line continued until the morning of June 22, 1941, when Hitler attacked Russia, at which time the line melted away in confusion. Mr. Jessup must certainly know also that this same group then formed a new organization again headed by Field which heaped equal villification upon our armed forces for failing to establish a second front in Europe.

Both you and Mr. Jessup realise, of course, that Mr. Field is no shrinking violet when it comes to admitting he is a Communist. For example, in his writings he refers to "we American Communists."

Lest in typical State Department fashion you attempt to tell the American people that Jessup was no [*not*?] in control of the magazine at the time the Communist money was received, I call your attention to the fact that when loyal Chinese vigorously and bitterly objected to what this publication was doing, they were referred to Jessup by the Institute of Pacific Relations as the man responsible.[3]

JOE MCCARTHY

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[3] Ambassador Jessup answered these charges in a statement released to the press on Apr. 3, 1950. It is printed in the Department of State *Bulletin*, Apr. 17, 1950, p. 623, and reads in part: "Actually during the years in which these donations were

Continued

113/4-350

Memorandum by the Special Assistant to the Secretary of State (Battle)[1]

CONFIDENTIAL WASHINGTON, April 3, 1950.

Senator Tydings telephoned the Secretary to say that his Committee is interested in having the Secretary to come up to testify and get some affirmative statements before the Committee. He said all they have now is the charges and denials and they think it would be well to have something to counteract that. The Senator said they were also interested in having Mr. Snow, head of the Loyalty Board,[2] testify. They wanted him to describe the process used by the Committee in determining loyalty, etc. Senator Tydings emphasized that the Committee is concerned only with loyalty and not with homogeneity, and Mr. Snow's testimony should steer clear of the latter.

The Secretary said he thought first off it might be a very good idea for him to come up, and that he was sure Mr. Snow could come. He said he would like to discuss the matter with Mr. Webb and Mr. Peurifoy and would probably be in touch with the Senator early tomorrow.

Senator Tydings mentioned that they were also interested in getting Richardson of the Loyalty Board, and then said it would be a good idea to have the entire board come up, with Snow as spokesman for the group. He said they would introduce each one, indicating briefly his background, and that would make a good impression. The Secretary agreed with this suggestion and Senator Tydings said they would probably like to have them on Wednesday.

It was then agreed that if the Secretary were to testify it would be next week, because he already has another appearance on the Hill this week.

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made, 1942 and 1943, I had ceased to be chairman of the American Council of the Institute of Pacific Relations. I was still a member of the Board of Trustees which had about 50 members. . . . These contributions, according to Senator McCarthy's own figures total only $3,500 as compared with total expenses for the two year period of approximately $200,000."

[1] Handwritten notations on the source text indicate that this memorandum was sent to Peurifoy, Adrian Fisher, and Assistant Secretary of State for Public Affairs Edward W. Barrett. A typewritten notation on the source text reads: "Copy to Mr. Peurifoy for action on 4/4/50."

[2] For information on the Loyalty Security Board of the Department of State, see the memorandum by Conrad E. Snow to the Secretary of State, dated Jan. 8, 1953, p. 1428.

Senator Theodore Green then came on the line and told the [Secretary?] he was anxious to have the process of screening of Department employees described to insure their loyalty, and then see if there appeared to be any way to improve on the methods, etc. He said that is one useful purpose the Committee might serve.

L.D.B.

Carlton Savage files, lot 71 D 293, "Department of State"

The Deputy Under Secretary of State for Administration (Peurifoy) to the Chairman of the Subcommittee of the Senate Committee on Foreign Relations Investigating Department of State Employee Loyalty (Tydings)[1]

[WASHINGTON,] April 17, 1950.

MY DEAR SENATOR TYDINGS: Following Senator McCarthy's statement on March 21 that a top Russian espionage agent, whom he privately identified as Mr. Owen Lattimore, was an employee or consultant of the State Department, I submitted to your Subcommittee a brief statement of Mr. Lattimore's connections with this Department, as revealed by a careful check of our personnel records. Since Mr. Lattimore has been publicly identified and since there has been considerable public discussion concerning his relationship with the Department, it is now appropriate to give in greater detail the instances of connections between Mr. Lattimore and the Department. Without any intention of reflecting on Mr. Lattimore and for the purpose of setting the record straight, I believe I should state that Mr. Lattimore does not have a desk in the Department of State nor access to its files, and is neither an employee nor a top adviser of the Department. These are the facts:

On October 15, 1945, Mr. Owen Lattimore was appointed as an economic adviser to the United States Reparations Mission to Japan. He served with the Mission until February 12, 1946. While on this assignment he was paid out of the Department's International Conferences funds.

Mr. Lattimore was one of 28 persons to lecture on a program known as "Meet the Public", which was given at the Department's Foreign Service Institute. He gave one lecture on June 5, 1946. This program was initiated by the Department's Office of Public Affairs and was designed to bring before departmental personnel the viewpoints of various persons who were working on, or interested in, foreign affairs. In this capacity, Mr. Lattimore was not an employee of the Department and received no remuneration. The following were the speakers on this program:

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[1] The source text is an unsigned copy of the original.

Senator J. William Fulbright
Mr. Ernest K. Lindley, Chief of the Washington Bureau of *Newsweek*
Senator Warren Austin
Dr. Arthur Compton, Chancellor of Washington University, St. Louis
Mr. Charles Bolte, Chairman of the American Veterans' Committee
Congressman Jerry Voorhis
Professor Owen Lattimore, Director of the Walter Hines Page School of International Relations, Johns Hopkins University
Professor Frederick L. Schuman, Williams College
Mr. Herbert Elliston, Editor of the *Washington Post*
Mr. Eugene Meyer, President of the International Bank for Reconstruction and Development
Dr. Jacob Viner, Professor of Economics, Princeton University
Dr. Harold Lasswell, Professor of Law, Yale University
Mr. Wallace Deuel, Editor of the *Chicago News*
Senator Wayne Morse
Mr. Thomas K. Finletter, Vice Chairman of Americans United for World Government, Inc.
Mr. James M. Landis, Chairman of the Civil Aeronautics Board
Mrs. Vera Micheles Dean, Editor and Research Director of the Foreign Policy Association
Mr. Kermit Eby, Director of Education and Research, Congress of Industrial Organizations
Mr. Hamilton Owens, Editor of the *Baltimore Sun* (and Sun papers)
Professor Frank Tannenbaum, Columbia University
Mr. Gardner Murphy, American Psychological Association
Rev. Edmund A. Walsh, Vice President of Georgetown University and Regent of the School of Foreign Service
Mr. David Lawrence, Editor of the *U.S. News* and of the *World Report*
Mr. Robert Watt, International Representative of the American Federation of Labor
Mrs. Eleanor Roosevelt
Dr. Dexter Perkins, Professor of Latin American Affairs, University of Rochester
Congressman Mike Mansfield
Dr. James P. Baxter, President of Williams College

On October 6, 7, and 8, 1949, Mr. Lattimore, following preliminary correspondence with the Department of State, was one of a group of 25 private individuals participating in a round-table discussion arranged by the Office of Public Affairs for the purpose of exchanging views on United States foreign policy toward China. As a member of this group, Mr. Lattimore was not an employee of the Department and received no compensation but was reimbursed for expenses. This round-table discussion followed a solicitation of written views on the same topic from a larger group in response to which the written views of thirty-one private individuals were received and analyzed. Some of the members, including Mr. Lattimore, were in both groups. Both the written views received and the transcript of the round-table discussions were made available as some of the background material for consideration by Mr. Raymond B. Fosdick, Mr. Everett Case, and Ambassador Jessup, who had been requested by the Secretary to review United States policy toward the Far East. The thirty-one who expressed views initially in writing were:

Former Consul General Joseph W. Ballantine, now at Brookings Institution
Professor Hugh Borton, Columbia University
Former President Isaiah Bowman, Johns Hopkins University
Dr. A. J. Brumbaugh, American Council on Education, Washington
Former Ambassador William Bullitt
Former Under Secretary Castle
Former Consul John A. Embry
Professor Rupert Emerson, Harvard University
Dr. Charles B. Fahs, New York City
Professor John K. Fairbank, Harvard University
Dr. Huntington Gilchrist, New York City
Professor Carrington Goodrich, Columbia University
Former Under Secretary Grew
Colonel Robert A. Griffin, Former Deputy Administrator, ECA, China
Former Ambassador Stanley K. Hornbeck
Roger Lapham, former Administrator, ECA, China
Professor Kenneth S. Latourette, Yale University
Professor Owen Lattimore, Johns Hopkins University
Oliver C. Lockhart, Export-Import Bank of Washington
Walter H. Mallory, Council on Foreign Relations
Professor Wallace Moore, Occidental College, Los Angeles
Professor Edwin O. Reischauer, Harvard University
C. A. Richards, Economic Cooperation Administration
Former Minister Walter S. Robertson, Richmond, Virginia
Dr. Lawrence K. Rosinger, New York City
Mr. James Rowe, Washington
Mrs. Virginia Thompson (Adloff), New York City
Professor Amry Vandenbosch, University of Kentucky
Professor Karl A. Wittfogel, Columbia University
Professor Mary Wright, Stanford University
Admiral Yarnell

The twenty-five who attended the round-table discussions were:

Joseph W. Ballantine, the Brookings Institution, Washington, D.C.
Bernard Brodie, Department of International Relations, Yale University, New Haven, Connecticut

Claude A. Buss, Director of Studies, Army War College, Washington, D.C.

Kenneth Colegrove, Department of Political Science, Northwestern University, Evanston, Illinois

Arthur G. Coons, President, Occidental College, Los Angeles, California

John W. Decker, International Missionary Council, New York, New York

John K. Fairbank, Committee on International and Regional Studies, Harvard University, Cambridge, Massachusetts

William R. Herod, President, International General Electric Company, New York, New York

Arthur N. Holcombe, Department of Government, Harvard University, Cambridge, Massachusetts

Benjamin H. Kizer, Graves, Kizer, and Graves, Spokane, Washington

Owen Lattimore, Director, Walter Hines Page School of International Relations, Johns Hopkins University, Baltimore, Maryland

Ernest B. MacNaughton, Chairman of the Board, First National Bank, Portland, Oregon

George C. Marshall, President, American Red Cross, Washington, D.C.

J. Morden Murphy, Assistant Vice President, Bankers Trust Company, New York, New York

Nathaniel Peffer, Department of Public Law and Government, Columbia University, New York, New York

Harold S. Quigley, Department of Political Science, University of Minnesota, Minneapolis, Minnesota

Edwin O. Reischauer, Department of Far Eastern Languages, Harvard University, Cambridge, Massachusetts

William S. Robertson, President, American and Foreign Power Company, New York, New York

John D. Rockefeller III, President, Rockefeller Brothers' Fund, New York, New York

Lawrence K. Rosinger, American Institute of Pacific Relations, New York, New York

Eugene Staley, Executive Director, World Affairs Council of Northern California, San Francisco, California

Harold Stassen, President, University of Pennsylvania, Philadelphia, Pennsylvania

Phillips Talbot, University of Chicago, Chicago, Illinois

George E. Taylor, University of Washington, Seattle, Washington

Harold M. Vinacke, Department of Political Science, University of Cincinnati, Cincinnati, Ohio

[The following were invited to the Round-Table October 6, 7, and 8, 1949 but did *not* attend:

W. Langbourne Bond, Pan American Airways, Washington, D.C.

Monroe E. Deutsch, Provost, University of California

Anne O'Hare McCormick, *New York Times*

Maurice T. Moore, Chairman of the Board of *Time*, Inc.
Michael Ross, Director, Department of International Affairs, CIO
J. E. Wallace Sterling, President, Stanford University][2]

In order to ascertain whether any facts whatsoever might support Senator McCarthy's assertions that Mr. Lattimore has a desk in the Department, access to its files, and a position as a top adviser on Far Eastern affairs, a check has been made with officers of the Department who have been concerned with the Far East, and many of whom have come to know Mr. Lattimore, who is widely regarded as one of the leading experts in this field. Beyond the normal contacts found among persons having a common specialized professional training and interest, this check developed only that Mr. Lattimore, as Director of the Walter Hines Page School of International Relations of Johns Hopkins University, has participated in setting up at Johns Hopkins a Mongolian language project in which the Department is interested. The Department of State, in line with the policy of promoting and utilizing foreign language and other international studies in numerous American universities, has, under authority of Public Law 724 (79th Congress), entered into a contract with the Johns Hopkins University, pursuant to which it has contributed $3,200 toward this language project. Very much larger sums have been made available for this project, it is understood, by the American Council of Learned Societies and the Carnegie Foundation. In connection with this project, it was possible to arrange for three Mongol scholars, including Dilowa Hutuktu, or the "Living Buddha", to enter the United States and work in the Walter Hines Page School in Baltimore. Officers of the Department's Foreign Service Institute have visited the project from time to time to observe its progress, and a junior member of the Foreign Service Staff, a specialist on the Far East, whose salary is $4,650 a year, is studying at the Walter Hines Page School as part of this project. The end results of the project will be a descriptive grammar of the Mongolian language and other teaching materials in spoken Mongolian.

Mr. Lattimore was recently sent by the Secretariat of the United Nations as a member of a preliminary economic survey mission to Afghanistan. In this capacity, Mr. Lattimore was hired by and responsible to the United Nations and not the Department of State.

Mr. Lattimore does not have a desk in the Department of State, nor does he have access to its files. Of course, in connection with his OWI employment (1942–1945) and his four-month assignment to the Pauley Reparations Mission which terminated February 12,

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[2] Brackets in the source text.

1946, Mr. Lattimore, like others in such positions, might have been required as part of his duties to consider some official papers from other agencies of the Government, including the Department of State.

These are the facts.

Sincerely yours,

[JOHN E. PEURIFOY]

113/4-1750

The Secretary of State to the Chairman of the Subcommittee of the Senate Committee on Foreign Relations Investigating Department of State Employee Loyalty (Tydings)[1]

[WASHINGTON,] April 27, 1950.

MY DEAR SENATOR TYDINGS: In a letter dated April 17, 1950,[2] you asked that I inform you of the extent to which, in my opinion, Mr. Owen Lattimore was the "principal architect of our Far Eastern policy", or the extent to which he influenced our Far Eastern policy during the period in which I have been Secretary of State. On April 17 Mr. Peurifoy, Deputy Under Secretary of State, wrote you in full detail concerning Mr. Lattimore's connections with this Department in the past.[3] The Far Eastern policy of this Government, like all other foreign policy, is the responsibility of the Secretary of State and has been made by me in my administration subject, of course, to the direction of the President. I welcome this opportunity to state personally and categorically that during the period in which I have been Secretary, Mr. Lattimore, so far as I am concerned or am aware, has had no influence in the determination of our Far Eastern policy. There is clearly no basis in fact for describing Mr. Lattimore as the "principal architect" of our Far Eastern policy. I might add that, so far as I am aware, I have never met Mr. Lattimore.

The Far Eastern policy of the United States has at all times been determined after careful study by the responsible officers of the Department and an objective evaluation by me of all of the facts available to this Government. The Department of State has explored all avenues to arrive at the relevant facts. The measure of the participation of Mr. Lattimore, so far as this Department and I are concerned, is fully and fairly indicated in the letter of April 17 from Mr. Peurifoy.

Sincerely yours,

DEAN ACHESON

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[1] Drafted by C. R. Unyon of the Office of the Legal Adviser. Cleared in the Bureaus of Far Eastern Affairs, Congressional Affairs, and Public Affairs.

[2] Not printed. (113/4-1750.)

[3] *Supra.*

A/MS Files, lot 54 D 291, "McCarthy Report Materials, 1950-52"

Memorandum Prepared in the Division of Public Studies of the Bureau of Public Affairs

CONFIDENTIAL [WASHINGTON,] September 25, 1950.

PUBLIC COMMENT CONCERNING STATE DEPARTMENT PERSONNEL

(August 15-September 25)

Despite Sen. McCarthy's repeated attacks against the Department and the Secretary, the great majority of American press and radio commentators have—since the Korean war[1]—ignored the Senator's steadfast campaign to "expose the Communists in the government."

A minor segment of opinion, however, has continued to support the Senator and to criticize the Department for its "mistakes" as it demands a "thorough house-cleaning". This group has also reiterated its demands for the Secretary's resignation, but such requests have been confined to those observers who have been strongly dissatisfied with the Department's personnel for a long time.

Recent comment shows that although the Senator's charges no longer are a "hot issue", there are a number of observers who feel that the charges "have neither been clearly proved nor disproved" (Paul Leach in *Chicago News).* Sen. Tydings' sub-committee continues to be a target of criticism for "attempting to investigate McCarthy rather than his charges," and the "ugly" Amerasia case is still a thorn in the side of those who want it fully explored by an impartial commission.

Support for McCarthy

In living up to his "pledge" to continue "exposing Communists in the government," Sen. McCarthy has, since August 15, made some six speeches devoted to this subject. Although considerably watered down in comparison to his earlier charges, the Senator's attacks contain little that is new. In utilizing current developments to give a fresh angle to his accusations he has continued to make such sweeping assertions as: "Disciples of Moscow working in our State Department and cloaked with the authority of public office, have sowed the seeds of world chaos and have softened us up for Communist conquest." Specific attacks have included the Secretary and Mr. Jessup, whom he recently described (Portage, Wisconsin, 9/10) as "members of the State Department crowd who are responsible for the disaster for America and success for Russia in the Pacific."

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[1] For documentation on the outbreak of the Korean war in late June of 1950, see *Foreign Relations,* 1950, volume VII.

Endorsing his efforts with enthusiasm, the VFW, Guy Gabrielson, Republican national chairman, and the Military Order of the Purple Heart were loud in their praise of his "performance of outstanding service to his fellow Americans" (Order of the Purple Heart).

Others concentrated their attention on the Department, calling for a "purge".

"Although the great bulk of employees in the State Department are loyal Americans," said George Minot (Boston *Herald*), "there are too many who are sympathetic to Russia's ambitions." Of similar mind, Sen. Wherry, American Legion Commander George N. Craig, George Sokolsky and the McCormick press have from time to time voiced this theme. Carlisle Bargeron (*Commercial and Financial Chronicle*) declared: "If the State Department's position does not bear out the Republican charge that it is infiltrated with Communist sympathizers, it does seem to prove that the Department is dominated by a some sort of out of this world idealism such as that held by the fuzzy intellectuals of Americans for Democratic Action."

Criticism of McCarthy

The Senator has been the subject of some editorial derision because of his complaint that the press was giving "inadequate" attention to his campaign (e.g., Chicago *Sun-Times, N.Y. Post, New Republic*). For the most part, however, commentators appear to regard the Senator's campaign as a "dead issue". Delegates to the Wisconsin State Federation of Labor called upon him to make good his promise to resign. Sen. McCarthy has "confused our people and undermined national unity in time of international crisis . . . has seriously jeopardized and undermined the position of leadership which this nation holds among the freedom-loving peoples of this world, thus giving aid and comfort to the enemies of our country", their resolution stated.

Service Case

A few of the Department's severest critics commented editorially on Bert Andrews' story that Mr. Service has not been officially cleared by the Loyalty Board, but this represented a very small segment of opinion. "Somebody in an important position lied last June 27" when "authoritative sources" revealed that the State Department Loyalty Board "had cleared John S. Service", said the Omaha *World-Herald*. The Detroit *Free Press* (Knight) and Henry

J. Taylor (ABC) also made similar points, the former asking: "Who were the 'authoritative sources' who lied in the first place? Why did the State Department let the lie go uncorrected until a member of the press discovered the truth? What else is it covering up?"

"Amerasia"

"The white-washing of the Amerasia case has not ended that story, which is a shameful mixture of cheap politics, indecision and fear of what might come out," Louis Bromfield (*Kansas City Star*) charged, and similar complaints have been made by the Dallas News, George Sokolsky (McCormick press), Wash. *Times-Herald*, Frederick Woltman and Victor Lasky in an article for American Mercury, and William Henry Chamberlin (*Wall St. Journal*). The VFW has requested an "immediate, full Senatorial investigation of the Amerasia case", and it is generally anticipated that "some day" the whole story of Amerasia, "with all its sordid details, will be told to the American people." The Tydings "white-wash", said the Woltman-Lasky article, can only "delay that day of reckoning".

A/MS files, lot 54 D 291, "Loyalty Security Appeals Board"

Memorandum by the Chairman of the Department of State Loyalty Security Board (Snow) to the Deputy Under Secretary of State for Administration (Humelsine)

CONFIDENTIAL [WASHINGTON,] October 4, 1950.

On June 13, 1950, just prior to my departure for Germany, the Chairman of the Loyalty Review Board[1] addressed a letter to me requesting that certain case files which had been returned to the State Department by the Loyalty Review Board in connection with the review of those cases by the Tydings Subcommittee be considered by the State Department Loyalty Board and such action taken in each case as the Board might determine to be desirable and necessary. Subsequent to my departure the files in question were forwarded by the Administrative Office to the Loyalty Security Board with the request that the entire file be resubmitted to the Board "for the consideration of supplementary reports submitted by the Federal Bureau of Investigation".

It has not been possible to resubmit these cases to the identical panel of the Board by which they were originally decided, owing to the fact that former members of the Board have left the Department or are on foreign service. Consequently, the question has arisen as to the terms of reference under which a new panel should take up consideration of these cases. The new panel was concerned as to whether the cases were resubmitted to the Board for a consideration *de novo* and requested instructions. They were instructed that they were to consider the cases *de novo*.

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[1] For information on the nature and functions of the Loyalty Review Board, see the memorandum from Humelsine to the Secretary of State, dated Feb. 8, 1951, *infra*.

It is my belief that these instructions misconstrued the intent of the Department, as well as of the Loyalty Review Board. Most of these cases involve present employees of the State Department who have had a favorable determination as to both loyalty and security risk by the Department's Loyalty Security Board. This favorable determination has been approved by the Deputy Under Secretary for Administration, acting for the Secretary, the determination has been post-audited by the Loyalty Review Board, and in cases involving interrogatory or hearing the employee has been advised of the favorable outcome. In addition, the file has been reviewed favorably by the Tydings Subcommittee. The only occasion for a resubmission of the file to a new panel of the Loyalty Security Board lies in the fact that the Federal Bureau of Investigation has submitted supplemental reports after the favorable determination of the case. The letter from the Loyalty Review Board mentioned above directed that action be taken in accordance with procedures set forth in Loyalty Review Board Memo No. 52 of February 13, 1950. This memorandum states: "It is not the intention of the Loyalty Review Board that any such case is to be re-tried solely on the original record which has heretofore been considered under the loyalty program. However, the original record should be carefully examined in order to properly evaluate the relevance and materiality of the additional facts and reports submitted. In making its decision the particular Board should feel free to reach its own considered opinion in the matter after a careful examination of the augmented record. If further action is deemed necessary in view of information in the supplemental report, the case shall be adjudicated *de novo*." It is my understanding that these are the terms of reference of the resubmission of any case by the Administrative Office to the Loyalty Security Board.

The construction referred to in the second paragraph above might conceivably result in a new panel coming to a different conclusion than the original panel in a given case on the same evidence. This would impose on the Administrative Office the necessity of choosing between contrary decisions of two different panels, one of which has had the stamp of prior approval, not only of the Administrative Office itself, but of the Loyalty Review Board and of the Tydings Subcommittee as well.

It is my intent to instruct the panel to take such action in each case as may be indicated by the new evidence, if any, contained in the supplementary reports of the Federal Bureau of Investigation, when considered in the light of the complete file. May I have your approval of such instructions?[2]

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[2] A typewritten notation at the bottom of the source text reads: "The above memorandum was returned to General Snow with the following written in pen: Gen. Snow: I agree with the above and you have my approval. Carl Humelsine."

A/MS files, lot 54 D 291, "Loyalty Security Appeals Board"

Briefing Memorandum by the Deputy Under Secretary of State for Administration (Humelsine) to the Secretary of State

[WASHINGTON,] February 8, 1951.

Subject: Visit of Mr. Hiram Bingham, Chairman, Loyalty Review Board[1]

For your background information in connection with your meeting with Mr. Bingham the following may be of interest. Pursuant to Executive Order 9835, March 21, 1947, the Loyalty Review Board, of which Mr. Bingham is the new Chairman, was created within the U.S. Civil Service Commission with reviewing and regulatory powers over Government agency loyalty boards. By regulation, the Department subsequently established its Loyalty Security Board and promulgated the necessary adjudication procedures. The Loyalty Review Board serves as an appellate board; reviews (post-audits) all determinations of the Department's Loyalty Security Board on the issue of loyalty; and may reverse or remand determinations by the Department's Board.

On balance the Department's relationship with the Loyalty Review Board has been very satisfactory.

The record of the Department in handling loyalty matters with the Loyalty Review Board indicates that since the Loyalty Security Board of the Department was established in 1947 it has adjudicated 433 loyalty cases. Of this number none was found to be disloyal. However, under the Department's security program which is separate from the loyalty program and not under the jurisdiction of the Loyalty Review Board, 5 of these cases were found to be security risks. The Department's Loyalty Security Board has before it 51 loyalty cases pending adjudication. 54 loyalty cases adjudicated by the Department's Board are before the Loyalty Review Board for review. 22 loyalty cases adjudicated by the Department's Board are in the process of being forwarded to the Loyalty Review Board for review.

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[1] No record of this visit has been found.

Inasmuch as Mr. Bingham may mention John Stewart Service, you should know the present status of his case. The Department's Loyalty Security Board adjudicated Mr. Service's case favorably on both loyalty and security grounds on December 1, 1950 and forwarded it to the Loyalty Review Board for review on the issue of loyalty on December 5, 1950. A panel of the Loyalty Review Board has considered the Service case, and it will be brought up for review by the full membership of the Loyalty Review Board about February 12.

Mr. Bingham may also mention the "McCarthy cases". In this connection, you should know that 41 persons on Senator McCarthy's list of 81 are presently employed in the Department. Of these 41 cases the Loyalty Security Board has completely processed (in most cases re-processed) 30 cases on the basis of supplemental FBI investigations. Of the remaining 11 cases 9 are presently pending before the Department's Board and the investigations on the other 2 cases have not yet been received from the FBI.

A/MS files, lot 54 D 291, "Loyalty Security Appeals Board"

Memorandum of Conversation, by the Chairman of the Loyalty Security Board of the Department of State (Snow) [1]

CONFIDENTIAL WASHINGTON, March 28, 1951.

Subject: Conversation between Senator Bingham and Mr. Snow of March 26, 1951

Participants: Senator Hiram W. Bingham, Chairman, Loyalty Review Board
Conrad E. Snow, Chairman, Loyalty Security Board

Following the conference on March 21, 1951 [2] between Mr. Snow, Mr. Sipes and Senator Bingham (at which conference Senator Bingham had expressed dissatisfaction with the record of the Loyalty Security Board of the Department of State because according to the record the Loyalty Security Board had taken adverse action in no cases whatever from 1947 to 1951), Mr. Snow had a further conference with Senator Bingham on March 26, 1951, and presented certain facts and figures which appear below.

Mr. Snow first produced a list of six cases, five being loyalty cases and the other a security case, in each of which the Loyalty Security Board had found the employee to be a security risk. In four of these cases the employee had been permitted to resign and the remaining two cases are recent decisions in which the administrative disposition has not yet been made.

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[1] Source text is accompanied by a covering memorandum noting submission "for the information of the Secretary and is purely a Loyalty Security Board matter."

[2] The memorandum of this conversation, dated Mar. 23, 1951, is not printed (A/MS files, lot 54 D 291, "Loyalty Security Appeals Board")

Mr. Snow also produced a list of eleven cases, nine of them being loyalty cases and two security cases, in which the Loyalty Security Board had voted a hearing and in which the employee had resigned prior to the hearing. In one of these cases the resignation occurred subsequent to notice of hearing, and in another the employee transferred to another agency after notice of hearing. In the remaining cases the resignation occurred prior to notice of hearing, but Mr. Snow explained that in practically all of these cases the resignation was due to administrative pressure, either in anticipation of, or subsequent to the vote of the Loyalty Security Board for a hearing.

Mr. Snow called attention also to the . . . case, in which the Loyalty Security Board recommended termination by administrative action and in which the employee had been induced administratively to resign.

Finally, Mr. Snow produced a list of eleven employees who were discharged just prior to the organization of the Loyalty Review Board and its procedures, and which was submitted to the Loyalty Security Board in September 1947, with the result that the Board recommended that the discharges be allowed to stand; that eight of them not be permitted to resign without prejudice; and that three of them be permitted to resign without prejudice. It was Mr. Snow's contention that the State Department should be credited with these eleven cases which represented a house cleaning immediately prior to the loyalty program but with the assistance of the Loyalty Security Board. Senator Bingham was impressed by this argument and ordered steps to be taken to credit the State Department with these eleven cases.

Mr. Snow also presented figures, inclusive of all the foregoing figures, which indicated that the State Department between 1947 and 1950 inclusive had secured the separation from the Department of 122 cases on which there existed adverse security information and 144 cases alleged to be homosexual. Mr. Snow had explained that it had been the practice of the Department to take prompt administrative action in many cases, without submitting them to the Board, where terminations or resignations could conveniently be brought about by administrative pressure under the provisions of the McCarran Act. Mr. Snow suggested that this made a very good record for the Department but a poor record for the Board.

Mr. Snow then called attention to the contrast between the standards which the Board had to apply in cases of alleged disloyalty and in cases of alleged security risk. In cases of disloyalty, the Board had to find under the rules of the Loyalty Review Board that "on all the evidence reasonable grounds exist for belief that the person involved is disloyal to the Government of the United States". In cases of security risk, on the other hand, the Board had only to find under the Department's standards that a reasonable doubt exists as to whether the person falls in one of the categories constituting a security risk and that "if a reasonable doubt exists . . .[3] the Department will be given the benefit of the doubt and the person will be deemed a security risk". It was consequently very much simpler to find a person a security risk than to find him disloyal. Senator Bingham agreed that this was so and seemed to be satisfied with this as an explanation of the action of the Board in finding six cases security risks and none disloyal.

Senator Bingham called in his secretary, Mrs. Miner, who is in charge of all the statistics of the Loyalty Review Board, passed her the lists produced by Mr. Snow, and directed that provisions be made to indicate in the statistics and to give the State Department credit for the adverse decisions on security risk, the resignations prior to hearing, and the eleven cases discharged prior to the organization of the Loyalty Review Board.

The Senator asked, with reference to the 122 cases of separation by termination, resignation, transfer, etc., whether the adverse security information which was on file was secured by FBI investigation or by Departmental investigation, and Mr. Snow agreed to produce the information if it was available.

The whole interview was on the friendliest basis, and Senator Bingham gave the impression that he was satisfied with the record of the State Department as produced by Mr. Snow. At any rate, he did not repeat any criticism of the Department. He said that the Secretary should be advised of the figures since he had previously been advised by Mr. Bingham of the status of the Department according to Loyalty Review Board figures.

In the course of the interview, Mr. Snow recommended a change in the basis of the Loyalty Review Board post-audit, saying that he believed that whenever the Loyalty Review Board was dissatisfied substantively with a favorable decision in a hearing case, it should itself take jurisdiction over the case under Regulation 14 and hear the case itself. This suggestion, of course, did not apply to cases decided without hearing in which the Loyalty Review Board might desire to return the case to the Loyalty Security Board for interrogatory or hearing. Mr. Snow felt that the Board should have a backstop in the post-audit of hearing cases to correct any possible errors. Such a backstop exists automatically in the case of adverse decisions which are appealed and which must, therefore, be reheard by the Loyalty Review Board.

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[3] Ellipsis in the source text.

Mr. Snow said that he preferred the record of the State Department with no adverse decisions on loyalty to the record of other departments which had made adverse decisions on loyalty but had had half of their adverse decisions reversed by the Loyalty Review Board. He thought that this represented a substantial injustice to the employees which was not fully corrected even by the reversals. It could only be interpreted as meaning that in half of their adverse decisions the loyalty boards of these departments have made unjust decisions.

CONRAD E. SNOW

Consular Affairs files, lot 53 D 233, "Loyalty Security Board"

Memorandum by John W. Sipes of the Office of Personnel, Bureau of Administration to the Deputy Under Secretary of State for Administration (Humelsine)[1]

CONFIDENTIAL [WASHINGTON,] June 26, 1951.

Subject: Loyalty Security Appeals Board—Establishment of.

Discussion:

In the past there has existed a problem of delay and clearance in the appointment of the Secretary's designee to hear an employee's appeal of an adverse loyalty or security determination by the Loyalty Security Board.

In addition, the procedure of *ad hoc* appointment of designees has involved time consuming and repetitious briefing of hearing officers. On the record, such procedure may have been justified because of the limited number of appeals. However, there are now four appeals imminent and with the present agenda of hearing cases additional appeals may be expected.

In the interest of operating efficiency, I believe the present case-by-case handling of appeals should be replaced by a permanent Appeals Board, appointed by the Secretary of State. Such an Appeals Board could be created by Departmental Announcement without conflicting in any way with the recently issued Regulations and Procedures. The Appeals Board would act as the continuing "designee" of the Secretary of State. I believe that three to five members should be appointed to such a Board. It should be provided that any one member could act for the Board in hearing an appeal. The rank of Board Member should be at least comparable to that of a Deputy Assistant Secretary. There should be a proper division between Foreign Service Officers and Departmental Officers.

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[1] Sipes was Legal Officer of the Loyalty Security Board.

In my opinion, the creation of an Appeals Board would provide a source of immediately available officers, properly designated, to hear appeals for the Secretary, as well as an accumulation of "know how" on the procedural side. The Legal Officer of the Loyalty Security Board could service the Appeals Board in the same manner as he now handles the processing of an appeal by an individual designee, and I believe it would work quicker and better.

Recommendation:

(1) That a Loyalty Security Appeals Board be established by Departmental Announcement, within the framework of existing loyalty security regulations; and

(2) That three to five members be appointed to this Board by the Secretary of State.

[Attachment]

Draft Departmental Announcement Prepared by John W. Sipes of the Office of Personnel, Bureau of Administration

[WASHINGTON,] June 26, 1951.

There is hereby established a Loyalty Security Appeals Board. The Board will hear and consider appeals to the Secretary of State in all loyalty and security cases involving officers and employees of the Department of State and the Foreign Service of the United States, in accordance with the provisions of Subchapter 390, Volume 1, Manual of Regulations and Procedures, and make recommendations thereon to the Secretary of State.

The Loyalty Security Appeals Board will be composed of members appointed by the Secretary of State. Any one member may act for the Board in the hearing and/or consideration of an appeal.[2]

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[2] No action was taken on this matter for a year. However, in June 1952, the Secretary of State directed that such an Appeals Board be established; see the editorial note, p. 1416.

A/MS files, lot 54 D 291, "McCarthy Report Materials, 1950–52"

The Deputy Under Secretary of State for Administration (Humelsine) to Senator Joseph R. McCarthy[1]

[WASHINGTON,] July 25, 1951.

MY DEAR SENATOR MCCARTHY: As the officer in charge of the operation of the loyalty and security program of the Department of State, I am answering your letter to the Secretary of July 23.[2]

You begin your letter by stating that it is your understanding that the twenty-nine individuals whom you list are "cases . . .[3] pending before the State Department's Loyalty Board". Your understanding is incorrect. The twenty-nine individuals—all of whom you have cited, of course, in your former lists—fall into varying categories. Like your previous lists, this one also includes the names of persons who are not employees of the Department of State, employees who have been cleared by the Department's Loyalty Security Board, as well as individuals in process through the loyalty program. Your indiscriminate lumping together of names and the threat to make them public is tantamount to holding hostage the reputation and rights of those employees who have been or may be cleared of the allegations against them. The President's Directive of March 13, 1948 (*Federal Register,* March 16, 1948) precludes me from furnishing any reports, records, or files relative to the loyalty of employees. Disclosure of such information would be prejudicial both to these people as individuals and to the Government's ability to conduct a sound, just and honorable loyalty security program.

Let me once again remind you that the Department of State is operating under the loyalty program laid down by the President in Executive Order No. 9835, as amended by Executive Order No. 10241.[4] This executive order, which anyone interested in our national security safeguards should feel duty-bound to study, prescribes a loyalty system which even the most critical have endorsed. This system offers as much protection to the Government as any ethical and American system which could be devised. That it is subject to attack for purely political reasons without regard for the facts is unfortunate.

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[1] Drafted by Humelsine, his Deputy Assistant Secretary for Administration, Walter K. Scott, and two subordinate officers in the Bureau of Administration.

[2] Not found.

[3] Ellipsis in the source text.

[4] For the text of Executive Order No. 9835, issued Mar. 21, 1946, see 12 *Federal Register* 1935; for the text of Executive Order No. 10241, issued Apr. 28, 1951, see 16 *Federal Register* 3690. The reference Executive Orders established and amended the Federal Government's early postwar loyalty program.

The Department of State, operating under the authorities of the so-called McCarran Security Rider[5] and Public Law 733[6] carries out a total security program. When I say *total*, I mean *total*. If an individual is found to be a security *risk*, he is separated from the Department.

Now, the following points with regard to the Department's loyalty and security program have been said many times, but I will repeat them again for your benefit as simply and as briefly as possible.

1. Both the loyalty and security programs of the Department are under my immediate supervision, and they are being carried out honestly and effectively. We are and will continue to operate a program to assure (1) maximum protection to the Government and (2) due regard for the rights of the individual.
2. Under this program, all Departmental and Foreign Service officers receive complete security investigations. These investigations are exhaustive and are made by trained investigators, operating under the direct supervision of a former FBI agent, Mr. Donald Nicholson.
3. The Department does not permit any employee to have access to secret material when it has determined that such access might constitute a danger to the security of the United States. To do otherwise would be contrary to the established security principles of the Department.
4. Questions as to the loyalty of any employee of this Department or the Foreign Service result in an up-to-date and full-scale investigation of the individual employee by the Federal Bureau of Investigation. The evaluation of this investigation is made by a competent Loyalty Security Board which operates under the chairmanship of General Conrad E. Snow, an experienced and able lawyer of distinguished reputation and unquestioned integrity.
5. This Board is made up of men of such high qualifications and unquestioned loyalty that I doubt that even the most suspicious person could be able to challenge their credentials.
6. The work of the Board is reviewed administratively by my immediate office and by the Loyalty Review Board of the Civil Service Commission. Mr. Seth Richardson, a former assistant Attorney-General under ex-President Herbert Hoover, was formerly Chairman of the Loyalty Review Board. He was succeeded by the present Chairman, ex-Republican Senator from Connecticut, Mr. Hiram Bingham.

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[5] Enacted July 5, 1946; for text, see 60 Stat. 458. It granted the Secretary of State absolute discretion in the dismissal of any officer or employee of the Department of State when the Secretary deemed it advisable in the interest of the United States.

[6] Enacted July 26, 1950; for text see 64 Stat. 476, ch. 803. It authorized the heads of certain specified government departments and agencies engaged in sensitive activities to summarily suspend employees considered to be poor security risks, and to terminate their services if subsequent investigations developed facts that supported dismissal. This authorization was extended to all agencies of the government by Executive Order 10450; for text, see 18 *Federal Register* 2489.

7. In the more than four years of operation under this procedure, the Loyalty Review Board has never reversed the Department's adjudication of a case.

8. In conducting this program, the Department has uncovered some employees who did not meet its high security standards, and these employees have been separated.

As should be perfectly clear from the foregoing, the conduct of the Department's loyalty and security programs are predicated on thoroughly tried and proven American principles. We will continue to operate this program in the same straightforward manner in the future, confident that we are taking every reasonable step to assure a completely loyal and trustworthy group of employees. But we will not abandon adherence to those concepts so carefully and deliberately laid down in the President's Loyalty Program, and we will not compromise our legal and ethical responsibilities under pressure of political stratagem or threat.

Sincerely yours,

CARLISLE H. HUMELSINE

A/MS files, lot 54 D 291, "McCarthy Report Materials, 1950–52"

The Deputy Under Secretary of State for Administration (Humelsine) to Senator Joseph R. McCarthy[1]

[WASHINGTON,] August 7, 1951.

MY DEAR SENATOR MCCARTHY: I refer to your most recent letter to the Secretary[2] in regard to certain aspects of the President's Loyalty Program, the loyalty program of the Department of State, and my letter to you of July 25.

In spite of the obvious bias with which your questions are phrased, the following information will give you facts upon which to correct your misinformation and a proper understanding of the matters to which you refer.

1. It is clear that you have chosen to predicate your latest letter on the statement contained in my July 25 letter to you that "In the more than four years of operation under this procedure (procedures of the President's Loyalty Program), the Loyalty Review Board has never reversed the Department's adjudication of a case". I call your attention to Regulation 14 of the Loyalty Review Board Regulations and Directives (adopted December 17, 1947 and revised March 1, 1950) which provides as follows:

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[1] Released to the press and printed, along with complementary statements by Humelsine, in the Department of State *Bulletin*, Aug. 20, 1951, pp. 314–316.

[2] Not further identified.

"The Board, or an Executive Committee of the Board, shall, as deemed necessary from time to time, cause post-audits to be made of the files on loyalty cases decided by the employing Department or Agency, or by a Regional Loyalty Board.

"The Board, or an Executive Committee of the Board, or a duly constituted panel of the Board, shall have the right, in its discretion, to call up for review any determination or decision made by any Department or Agency Loyalty Board or Regional Loyalty Board, or by any head of an employing Department or Agency, even though no appeal has been taken. Any such review shall be made by a panel of the Board, and the panel, whether or not a hearing has been held in the case, may affirm the determination or decision, or remand the case with appropriate instructions to the Agency or Regional Loyalty Board concerned for hearing or for such further action or procedure as the panel may determine. *In exceptional cases, if in the judgment of the panel public interest requires it, the panel may hold a new hearing in the case and after such hearing, affirm or reverse the determination or decision.* (underscoring supplied)[3]

Regulation 14, as you must be able to see, explicitly confirms my statement, and I say categorically that it is *not* true that the Loyalty Review Board has no power to reverse cases which the Department of State's Loyalty Security Board has cleared. It is true—and the Department has never contended otherwise—that the Loyalty Review Board can and has remanded cases to the Department for rehearing. This is perfectly proper and is completely apart from the question of the Loyalty Review Board's authority to reverse the State Department's Board's decisions.

2. As I pointed out to you in my letter of July 25, the Department of State is operating under a loyalty program laid down by Executive Order 9835, as amended by Executive Order 10241. These executive orders, which anyone interested in our national security safeguards should feel duty-bound to study, describes a loyalty system which even the most critical should endorse. This system assures (1) maximum protection for the Government and (2) due regard for the rights of the individual. Furthermore, the Department of State operating under the authority of the so-called McCarran Security Rider and Public Law 733 carries out a total security program. As I have told you before, in conducting its loyalty and security program, the Department has uncovered some employees who did not meet its high standards and these employees have been separated.

I again call your attention to the fact that the Department of State's Loyalty Security Board is comprised of men of exceptionally high qualifications and unquestioned loyalty.

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[3] Printed as italics.

3. As I also pointed out to you in my letter of July 25, I am precluded from furnishing certain loyalty and security information which you seem determined to have me supply regardless of the President's Directive of March 13, 1948 to the contrary. Let me state once more that the President's Directive of March 13, 1948 precludes me from furnishing any reports, records, or files relative to the loyalty of employees. Disclosure of such information would be prejudicial both to these people as individuals and to the Government's ability to conduct a sound, just and honorable loyalty security program.

While I have sought to provide this information as clearly and unequivocally as possible, I realize that any statement made by me or any other official of the Department can be intentionally misconstrued. Yet it is far better in my judgement to state the truth and risk its distortion than to permit the instigation or perpetuation of groundless suspicion and distrust.

We do not defend by lies, as you claim, nor do we so accuse. Either course stands in contradiction to the fundamental principles of American morals and ethics.

CARLISLE H. HUMELSINE

A/MS files, lot 54 D 291, "Internal Security Subcom., Loyalty Security Material"

The President to the Secretary of State [1]

WASHINGTON, April 2, 1952.

MY DEAR MR. SECRETARY: On March 28 you sought my guidance regarding the response which the Department of State should make to the requests of members of the Senate Appropriations Subcommittee for detailed information on administration of the Department's loyalty-security program. I understand that many different questions have been raised by Subcommittee members, but that the information requested falls generally into four categories as follows:

1. The complete files in specified loyalty-security cases, detailed information concerning the substance of investigative reports in certain additional cases, and the procedural steps and actions taken in the handling of various individual cases.

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[1] A covering memorandum by Carlisle Humelsine, dated Apr. 4, transmitting this letter to various bureaus and offices in the Department reads, in part, as follows: "Transmitted herewith for your information and guidance is a letter from the President to the Secretary of State. This letter is binding upon all Departments and Agencies of the Executive Branch of the Government and all Government employees. You are requested to take necessary steps to insure that this letter is read by all members of your staff."

2. The names of all present and former State Department employees who have been investigated under the Federal Employees Loyalty Program or the Department's security program, together with the status or the disposition of their respective cases.
3. The names of all employees who resigned or retired from the Department while under investigation or during processing of their loyalty-security cases.
4. The names of State Department officers who sat as members of the Loyalty Security Board on a particular case, and the way each officer voted.

The information sought by the Appropriations Subcommittee cannot be considered solely from the standpoint of that Subcommittee or from the standpoint of the Department of State. If one Department is required or permitted to supply information of the character requested, all other agencies of the Government would have to respond to similar demands from other sources. If all Executive agencies were to release information of this nature, I am convinced that the over-all result would be to wreck the Federal Employees Loyalty Program. In the process, the reputations of hundreds of loyal Government employees would be pilloried and the entire civil service would be severely demoralized. Accordingly, I must advise you not to furnish the information requested by the Subcommittee, for to do so would be clearly contrary to the public interest.

Much of the information wanted by the Subcommittee falls within the letter or the spirit of my memoranda of March 13 and August 5, 1948,[2] in which I stated that the efficient and just administration of the Employee Loyalty Program requires that reports, records, files and investigative data relative to the program be preserved in strict confidence. That is necessary in the interest of our national security, to preserve the confidential character and sources of information, to protect Government personnel against the dissemination of unfounded or disproved allegations, and to insure the fair and just disposition of loyalty cases. The need for these directives is just as compelling today as it was in 1948.

It would be a great mistake to release the names of State Department and other Federal personnel who have been subjected to loyalty investigations, and to divulge the specific steps and actions taken in the processing of individual loyalty-security cases. The FBI, which checks all Government employees, institutes full field investigations upon the basis of derogatory allegations, whether or not true, and questionable affiliations or associations, however innocent in fact they may prove to be. In the overwhelming majority of loyalty cases, thorough FBI investigation and careful loyalty board inquiry establishes the employee's loyalty. To divulge the names of these loyal employees, and the specific steps taken in adjudicating their cases, would serve no useful purpose. In the hands of unscrupulous persons, however, this information could be distorted and used to subject the employees and their families to untold embarrassment and distress. My apprehension in this regard is not based upon idle fancy, as you well know.

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[2] Neither printed.

Nor would the public interest be served by releasing the names of individuals determined to be security risks. Persons discharged as security risks are in a distinctly different category from persons discharged on loyalty grounds. They usually are employees who cannot be trusted with classified information because they have had questionable associates, talk too much, are careless, or may be unduly susceptible to outside influences. In enacting Public Law 733, 81st Congress, providing for suspension of employees in the interest of national security, the Congress clearly recognized that a security risk may be a useful and suitable employee in non-sensitive Government positions not involving access to classified information. Similarly, he may be an entirely loyal citizen who will render excellent service in private employment. The reputations of these persons should not be besmirched unnecessarily by making their names public.

Many Federal employees leave the service while under routine investigation or prior to the completion of their loyalty-security processing. In the case of the State Department, I understand that such employees have left for a variety of reasons, such as military service, pregnancy, poor health, and the acceptance of employment in private business. In many instances, Government employees leave the service without being aware of the fact they were under investigation. To protect the innocent from groundless accusations and unwarranted inferences, therefore, it is clear that these names should not be released in response to blanket requests. All of the names, of course, are flagged for attention in case the individuals should seek to reenter Government service.

There is no objection to making available the names of all members of an agency loyalty board, but it is entirely improper to divulge how individual board members voted in particular cases or to divulge the members who sat on particular cases. If this type of information were divulged freely, the danger of intimidation would be great, and the objectivity, fairness and impartiality of board members would be seriously prejudiced.

Hereafter, no information regarding individual loyalty or security cases shall be provided in response to inquiries from outside the Executive branch unless such inquiries are made in writing. Where proper inquiries are made in writing, replies will be confined to two categories of information as follows: (1) If an employee has been separated on loyalty grounds, advice to that effect may be given in response to a specific request for information concerning the particular individual; and (2) if an employee has been separated as a security risk, replies to requests for information about that individual may state only that he was separated for reasons relating to suitability for employment in the particular agency. No information shall be supplied as to any specific intermediate steps, proceedings, transcripts of hearings, or actions taken in processing an individual under loyalty or security programs.

No exceptions shall be made to the above stated policy unless the agency head determines that it would be clearly in the public interest to make specified information available, as in instances where the employee involved properly asks that such action be taken for his own protection. In all such cases, the requested information shall be released only after obtaining the approval of my office.

I am sending a copy of this letter to the Loyalty Review Board.

Very sincerely yours,

HARRY S. TRUMAN

A/MS files, lot 54 D 291, "Internal Security Subcom., Loyalty Security Material"

Memorandum by the Deputy Under Secretary of State for Administration (Humelsine) to the Director of the Office of Operating Facilities of the Bureau of Administration (Wright)[1]

WASHINGTON, May 21, 1952.

Subject: Reorganization of the Loyalty Security Board

I wish to summarize here the agreement reached in my office, Monday, in regard to speeding up the operations of the Loyalty Security Board and in regard to reducing the Board's backlog:

1. Mr. Boykin will continue to devote two Security Division evaluators and a clerk-stenographer to the preparation of case summaries.
2. Mr. Boykin will check and then recommend to me the names of additional Board members. The Board will be expanded by at least 12 new members.
3. A full-time special panel will be established to adjudicate "re-review" cases. This Board will not write interrogatories or hold hearings—cases on which it votes interrogatories and hearings will be transferred to the regular panels for execution of the interroga-

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[1] Addressed also to Boykin, Snow, Sipes, and the following officers of the Bureau of Administration: Edward B. Wilber of the Office of Budget and Finance; Arch K. Jean, Chief of the Division of Departmental Personnel; Donald L. Nicholson, Chief of the Division of Security; and James R. Johnstone, Chief of the Division of Central Services.

tories and hearings, at least until the "re-review" backlog is liquidated.

4. General Snow will divide the Board into four panels (in addition to the Special Panel). These panels will adjudicate current cases and handle all interrogatories and hearings voted by the Special Panel. The additional Board members to be appointed will provide him some flexibility and take care of the vacation situation during the summer months.

5. Mr. Jean agreed to recruit immediately one well qualified additional legal officer for the Board staff and two specially qualified stenographers.

6. Mr. Wilber agreed to provide funds, or make other financial arrangements, for the increase of the three positions for the Board staff, the three positions Mr. Boykin is devoting to case summary work and the three members of the full-time Special Panel.

7. Mr. Johnstone has agreed to make available to the Board seven (7) suitable rooms, two of which are to be hearing rooms.

8. I will decide upon three officers to serve as the members of the Special Panel. It appears that a full-time Special Panel will be required for approximately six months.

I should greatly appreciate a concerted effort by all concerned to put this plan in operation without delay. We should be in full swing by Monday, June 7.

CARLISLE H. HUMELSINE

Editorial Note

On June 23, 1952, Deputy Under Secretary Humelsine sent a memorandum to Adrian Fisher, Legal Adviser of the Department, and others on the subject of establishing a Loyalty Security Appeals Board which reads as follows:

"By direction of the Secretary of State, there has been established a Loyalty Security Appeals Board. The Board will hear and consider appeals to the Secretary of State in all loyalty and security cases involving officers and employees of the Department of State and the Foreign Service of the United States, in accordance with the provisions of Subchapter 390, Volume 1, Manual of Regulations and Procedures, and make recommendations thereon to the Secretary of State.

"The Loyalty Security Appeals Board will be composed of members appointed by the Secretary of State, one of whom will be designated as Chairman. Any three members, designated by the Chairman, may act for the Board in the hearing and consideration of an appeal. Decisions of the Board shall be by majority vote.

"Appropriate Department of State Regulations and Procedures will be revised to reflect the establishment of this Board." (A/MS files, lot 54 D 291, "Loyalty Security Appeals Board")

A/MS files, lot 54 D 291, "Relations with Congress"

The Deputy Under Secretary of State for Administration (Humelsine) to Senator William Benton [1]

[WASHINGTON,] July 1, 1952.

MY DEAR SENATOR BENTON: I refer to your letter of June 23 [2] the body of which is as follows:

"When Senator McCarthy took my deposition on June 4, Senator McCarthy quoted recent testimony by you before the Appropriations Committee. He stated that subsequent to his charge that there were '57 card-carrying communists in the State Department', you testified that 54 had been dismissed or had resigned while they were being investigated—and another three had appealed from the rulings of the loyalty boards. Your figures of 54 and 3 make 57 and he contended that these were the 57, as he had alleged. I, of course, said that this was preposterous and called it a 'numbers game'.

"Will you please illuminate me in some detail on your own testimony and on the background here?"

In response to your question, I submit the following information:

1. The testimony to which Senator McCarthy refers appears on pages 480, 481 and 482 of the Hearings before the Senate Subcommittee of the Committee on Appropriations, 82nd Congress, Second Session, on H.R. 7289 (hereinafter referred to as the *Hearings*). This testimony followed a letter which I wrote to Senator Pat McCarran at the request of Senator Homer Ferguson. Senator Ferguson's letter and my reply, both printed in the *Hearings* (pages 239 and 240) are as follows:

"My Dear Mr. Secretary: I wish you would please advise the subcommittee of the Senate Appropriations Committee considering the appropriation for the State Department (sending me a copy of your letter) as to the number of employees of the State Department who have resigned since the inauguration of the loyalty and security program, the number who have resigned after proceedings were started before the Loyalty Board, and the number who resigned after the FBI had started an investigation. I would like to know the salary of these and the amount of pension each will draw.

"Sincerely, Homer Ferguson".

"My Dear Mr. Chairman: In a letter to the Secretary, dated March 4, 1952, Senator Ferguson requested certain information in regard to Department of State employees who have left the Department since the 'inauguration of the loyalty and security program.' The following information from the Department's records is submitted in accordance with his request.

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[1] Drafted by Everard K. Meade, Jr., Special Assistant to the Deputy Under Secretary of State for Administration, on June 26, 1952. Senator Benton was a Democratic Senator from Connecticut, 1949–1953.

[2] Not found.

"1. Since the inception of the President's loyalty program in 1947, 54 employees who were under investigation or whose cases had not been completely processed, including post-audit review of the Loyalty Review Board of the Civil Service Commission, resigned or retired. It should be emphasized that the resignation of an employee while under investigation does not necessarily imply any unusual circumstances; for example, an employee may resign to enter military service, for health or maternity reasons, or for any number of other reasons, having no knowledge whatsoever that he is under investigation or that his case is in process.

"2. Of the 54 employees who resigned or retired since 1947, fifty-three resigned. None of these individuals was qualified to receive civil-service or foreign-service annuity (pension) at the time of his resignation, and they are not receiving any such annuity now. Qualification for either foreign-service or civil-service annuities is based on length of service and age requirements established by law.

"3. Of the 54 employees who resigned or retired since 1947, 1 retired. The salary of this employee at the time he resigned [*retired*?] was $13,600 per annum; his annuity will be $6,619.13 per annum.

"I trust that the foregoing will provide the information Senator Ferguson seeks. As he requested, I am sending a copy of this letter directly to him.

"Sincerely yours, Carlisle H. Humelsine."

2. During the course of the hearings, I referred several times to the fact that the Department's Loyalty Security Board had found reasonable doubt as to the loyalty of three individuals—in other words, that the Loyalty Security Board had made three adverse loyalty determinations. As the following testimony—to which you refer and which appears on pages 480, 481 and 482 of the *Hearings*—clearly illustrates, Senator McCarthy added the 3 adverse loyalty determinations to the 54 resignees and retirees I referred to in the above letter. He then said, "That, by a strange coincidence, makes 57, does it not?", referring, of course, to the "57" he alleges he mentioned in his Wheeling, West Virginia speech in February 1950.

"Question of 57 Card-Carrying Party Members

"Senator McCarthy. All right, let me ask you this: I have made the statement, as you say, and correctly so, that either there were 57 individuals who were card-carrying members of the party—I do not remember for sure whether I used the term 'members of the party', or 'loyal to the party' or 'doing the work of the party'—who were presently in the State Department or had been in the State Department.

"Now, you tell us that 54 disloyal cases were allowed to resign under investigation and that three other individuals had been found to be disloyal or are in the process of appeal. That, by a strange coincidence makes 57, does it not?

"Mr. Snow. Unfortunately, they are not the same individuals.

"Senator McCarran. Wait a minute, I wish you would answer the question. I think we can get along better if you do.

"It was a strange coincidence that the number was 57? Will you answer the question?

"Mr. Snow. It must be a strange coincidence. The answer is 'No, they are not the same individuals.'

"Senator McCarthy. I did not ask you whether they were the same individuals. I said that there were 57 disloyal people, and you said that there had been baseless accusations made.

"Mr. Snow. Yes.

"Senator McCarthy. I now say that 54 people under charges of disloyalty were allowed to resign and three others have been found to be disloyal and their cases are on appeal. That does make 57, does it not?

"Mr. Snow. Oh, yes.

"Senator McCarthy. And that makes 57 people who were certainly seriously suspected of being disloyal or you would not have filed charges against them; is that right?

"Mr. Snow. I do not know as a matter of fact that there were charges filed against 57.

"Senator McCarthy. Well, you know that they were being investigated?

"Mr. Snow. I know that.

"Mr. Humelsine. There were some 800.

"Mr. Snow. The Security Division had mentioned that 54 people had resigned, but I did not know that charges had been filed against them. The board does not know that.

"Senator McCarthy. Mr. Chairman, I want to call the Chairman's attention to the statements made by this witness. I think you should be sworn now.

"I want to call attention to the statement that the witness just made, and I think you should be sworn.

"He made the statement a minute ago that the 57 individuals whose names you had were not the same as the 57 who either resigned or were found disloyal.

"Now, he has made the statement, and the Chair can have it read back if the Chair desires to have that done.

"Now he says, 'I do not know who the 54 were. I do not know what their names were.'

"Now, either you are lying, Mr. Snow, when you said that you did not know who they were, or you were lying to us when you said they were different from the 57 that McCarthy named. You cannot be telling the truth at both times. Does not that follow as the night follows the day?

"Mr. Snow. No, it does not.

"Senator McCarthy. Now, you tell us you do not have the names of the 54.

"Mr. Snow. Which 54 are you talking about now? Are you talking about the 54 that resigned?

"Senator McCarthy. I am talking about the 54 who resigned when they were under loyalty investigation.

"Mr. Snow. I have nothing to do with their resignations.

"Senator McCarthy. You had nothing to do with the 54?

"Mr. Snow. No.

"Senator McCarthy. You know that they were being investigated for disloyalty and that they were in the channel?

"Mr. Snow. Well, I would assume so. I heard the Security Division say so.

"Senator McCarthy. You know you do.

"Senator McCarran. Just a minute, please. Mr. Humelsine, do you want the attention of the Chair? I did not want to interrupt the Senator in the middle of a sentence.

"Mr. Humelsine. I just want to make the point that the Senator has taken two figures and added them together and has gotten a total of 57 individuals. That list of 57 that he makes by adding 54 and 3, I am certain, is not the list of the 57—

"Senator McCarthy. Do you want to testify now?

"Senator McCarran. Wait a minute.

"Mr. Humelsine. That is not the 57 that you refer to. I do not think that is fair to General Snow because he would not know anything about the 54 who resigned when under loyalty investigation. He would not have anything to do with the 54 resignations.

"Senator McCarthy. Then he must not lie to us if he does not know anything about it. Mr. Snow just got through saying that the 54 were not the 54 on McCarthy's list, and now you say you could not possibly know.

"I am going to ask the Chair—and I will certainly understand if the Chair refuses to do it, as it may be establishing a precedent which he does not have on this committee—but I am going to ask the Chair to have you sworn.

"Mr. Snow. I will be very glad to be sworn.

"Senator McCarthy. That may be establishing a precedent which the Chair does not care to establish.

"Senator McCarran. It would not be establishing a precedent. We have done it many times before. However, I prefer to have you go on, Senator, for today, until we have more members of the committee present. I have no objection to doing it, and I have done it before and I can do it again. But I would like to have more members of the committee present and to get their guidance."

3. As you can see, any attempt to add 3 to the 54 referred to in my letter to Senator McCarran and then say that the resulting 57 is the same 57 Senator McCarthy alleges he referred to in his 1950 Wheeling, West Virginia speech could not be supported by the facts. As you are aware, the Subcommittee of the Senate Foreign Relations Committee which investigated Senator McCarthy's allegations in 1950 found that actually he used the figure "205" rather than "57" at Wheeling, West Virginia (February 9, 1950) and that he used the figure "57" in his speech at Salt Lake City, Utah (February 10, 1950) when he said, "Last night I discussed Communists in the State Department. I stated that I had the names of 57 card-carrying members of the Communist Party".

4. In conclusion, I should like to point out that some of the 54 concerning whom I testified had resigned previous to the Senator's

speech at Wheeling and hence could not have been among his "205" or his "57"; some of the 54 were not even employed in the Department at the time of his speech at Wheeling and hence could not have been among his "205" or his "57"; and none of the 54, as far as the Department and the Federal Bureau of Investigation could ascertain were "card-carrying Communists". With regard to the three adverse loyalty determinations to which I referred, the names of the three employees found against have never been identified by Senator McCarthy publicly or privately to the best of my knowledge.

Sincerely yours,

CARLISLE H. HUMELSINE

A/MS files, lot 54 D 291, "Loyalty Security Appeals Board"

Memorandum by John W. Sipes of the Office of Personnel, Bureau of Administration, to the Deputy Assistant Secretary of State for Administration (Scott)

CONFIDENTIAL WASHINGTON, September 16, 1952.

Subject: Estimated Backlog of Cases before the Loyalty Security Board

Reference is made to your memorandum of September 12, 1952[1] to General Snow and myself requesting a statistical estimate as to the backlog of certain categories of cases as of November 1, January 1, and March 1.

In making these estimates certain assumptions, of course, have to be made. One of these assumptions is that the current rate of receipt of new cases; namely, ten to fifteen per month, will remain fairly constant. Another assumption is that the percentage of hearings and interrogatories voted upon the initial consideration of new cases and upon initial reconsideration of old cases will continue at about the present rate. Our present figures as reflected in the reconsideration column of the monthly report do not reflect cases initially adjudicated under E.O. 9835 by Regional Loyalty Boards. So far as I know there has been no determination as to whether the 40 or 50 cases in this category will be subject to reconsideration under E.O. 10241 by the Loyalty Security Board.

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[1] Not found.

Date	(1) Regular Cases (Inc. Memo 52) Pending Initial Consideration	(2) E.O. 10241 Cases Pending Initial Reconsideration	(3) Regular and E.O. 10241 Cases Where Consideration is Incomplete	(4) Total Pending LSB
11/1/52	25	50	90	165
1/1/53	10	0	85	95
3/1/53	10	0	65	75

It should be noted from the above that by January 1, 1953 it is estimated that the initial consideration of all E.O. 10241[2] reconsideration cases will have been completed. That is not to say that we will have finished the reconsideration of all cases under the new standard. There will remain a "hard core" of hearing and interrogatory cases etc. which have arisen and will arise during the course of initial reconsideration that will continue to be reflected as a part of the figure in Column 3 above. It should also be noted from the above that it is estimated that by January 1, 1953 we will be on a current basis with respect to the *initial consideration* of regular or new cases. That is to say, we will be adjudicating new cases as soon as they are received. Here again there will remain a certain "hard core" of cases on which interrogatories and hearings are voted on which it will take some time to complete the loyalty security process. It is believed that there will continue to be for some time after March 1, 1953 about 50 cases pending initial consideration and completion of processing. Although the new cases received will be kept on a current basis, the number of cases in the interrogatory hearing, further investigation, administrative action, etc. categories (i.e. Column 3) is likely to remain fairly constant and of a magnitude that would bring the total cases pending before the Board to approximately 50 for a considerable period beyond March 1, 1953.

It should be pointed out that the above estimate is on the optimistic side. It is believed that the present membership of the Board will be adequate to the task inasmuch as the major problem is one of interrogatories and hearings. However, additional members should be appointed for the HICOG panel as has been recommended to "CON". On the staffing side, in order to insure the approximate accomplishment of the above estimate, it is believed necessary that the Loyalty Security Board be provided with one additional Clerk-Stenographer until March 1, 1953. It should be noted that General Snow and I recommended the addition of one Legal

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[2] For text, see 16 *Federal Register* 3690.

Assistant and two Clerk-Stenographers previously (see General Snow's memorandum to Mr. Humelsine, May 9, 1952[3]) in order to accelerate the Board's consideration of the case backlog. We have been provided with the Legal Assistant and one Clerk-Stenographer. It is not felt necessary in view of the declining backlog to add another Clerk-Stenographer on a *permanent* basis. The Loyalty Security Board has the necessary space and facilities to take care of one additional Clerk-Stenographer. Mr. Humelsine's memorandum of May 21, 1952 authorized the addition of two Clerk-Stenographers to the Loyalty Security Board staff. It is my understanding that funds have been allocated for this purpose.

Recommendation:

That the Loyalty Security Board be provided with one additional Clerk-Stenographer until March 1, 1953.

General Snow concurs in this estimate and recommendation.

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[3] Not found.

A/MS files, lot 54 D 291, "Loyalty Security Appeals Board"

Memorandum by the Deputy Assistant Secretary of State for Administration (Scott) to John W. Sipes of the Office of Personnel, Bureau of Administration[1]

[WASHINGTON,] September 18, 1952.

Subject: Estimated Backlog of Cases before the Loyalty Security Board

I have read your memorandum of September 16,[2] subject as above, with great interest. Unquestionably, the schedule you establish clearly indicates that barring unforeseen circumstances we will be pretty much "out of the woods" by next spring. On the other hand we would be in a much better position if by January 1 we could break the 150 mark as to total cases pending before the Board and by March 1, the 50 mark. This would mean the completion before January 1 of 15 more cases than you estimate.

Without sacrificing the quality of the Board's work, do you feel that if the following measures are taken immediately you could realistically revise your estimate of total pending cases to 150 by January 1 and 50 by March 1:

1. immediate addition of one clerk-stenographer;
2. no reference to the Loyalty Security Board of the Regional Loyalty Board cases for review;

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[1] Drafted by Everard K. Meade, Jr.

[2] *Supra.*

3. addition of 3 members to the Loyalty Security Board here;
4. addition of 6 members to the HICOG panel.

I am not attempting to pressure the Board into cutting the backlog at the expense of less thorough and less competent work. The Board has probably the finest record in the Government in this respect. At the same time we should exhaust every feasible possibility in cutting the backlog to more workable proportions.

W. K. SCOTT

Truman Library, PSF–General File

Memorandum by the Director of Central Intelligence (Smith) to the President

WASHINGTON, 30 September, 1952.

Although you have not asked for it, I believe it my duty to report to you all that has transpired in connection with my testimony in the Benton–McCarthy case.[1] You are already familiar with the basic subject of this testimony, that is, the Marshall Plan and the violent reaction against it by the Soviet Union. I dictated to your secretary the explanatory statement I made to members of the press after giving, in reply to cross-examination, answers which were necessarily brief and susceptible of misinterpretation by anyone who lacked or chose to ignore the background provided by the explanatory statement above referred to. This statement (copy of which is attached) was also given by me this morning to a group of twenty-three radio and press executives. At this conference, I was asked by Mr. Lewis Woods of the *New York Times*:—"The President is quoted as having said that Communists have been pretty well cleaned out of Government. Does your statement contravene this?" I replied that it did not—that Communists *have* been pretty thoroughly cleaned out of the Government but that this did not in any way relieve Security Agencies from the necessity of continual vigilance. I was also asked by Mr. Elmer Davis of A.B.C. if the President or anybody else had ever suggested or directed me to go slow in eliminating Communists in my organization or from any other Government agency. I replied that on the contrary you have given this organization the most complete support and while I have no direct responsibility in this connection with other Agencies in the United States, I know that you have similarly and insistently urged effective action in the elimination of Communists.

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[1] See footnote 1, *infra*.

Also this morning, acting under your instructions to keep both Presidential candidates informed on intelligence matters, I telephoned Governor Stevenson and General Eisenhower, told each of them what had actually occurred, and read to each of them the attached statement. I stated to them, in effect, that it would be deplorable if the precautionary assumptions and procedures of a sensitive organization like the Central Intelligence Agency or of any similar organization were used for political capital at the expense of lowering the efficiency of the organization and shaking the confidence of the public in this and other Executive Establishments upon which any future President of the United States, Republican or Democratic, must inevitably depend for accurate and reliable information and guidance—that their own experience would confirm the soundness and wisdom of our procedures since they must realize that the problems and difficulties involved will remain constant and equally difficult regardless of whether the next Administration was Republican or Democratic—and that the personnel engaged in this highly technical work is not easily replaceable. Both indicated their agreement.

To General Eisenhower I also read the following statement attributed to the Chairman of the Republican National Committee: "Republican national chairman Arthur E. Summerfield last night said General Walter Bedell Smith's statement about Communists in Government was a 'shocking revelation' and that the G.O.P. would stage a nationwide exposé on the subject tonight." I said to him that if he had the same confidence in me which he had previously expressed on several occasions, he would accept my previous statement and that in view of the way this matter had been seized upon politically only he could put a stop to it in the G.O.P. He reaffirmed his confidence, said that he had not known about the broadcast, that he was leaving New York in half an hour but that he would get on the matter at once.

It would be well if there were no further serious attempts to exploit either this organization or the general subject for political purposes, as in my opinion the plans for Communist elimination from the sensitive agencies of Government and the machinery which implements these plans are about as effective as can be devised under our American system.

If you wish me to take any further action, I await your instructions.

WALTER B. SMITH

[Attachment]

Statement by Walter Bedell Smith, Director of Central Intelligence

30 SEPTEMBER 1952.

Any Intelligence Agency that did not act on the assumption that it would be penetrated at sometime, somewhere along the line, from charwoman to executive, would be foolishly complacent and we would be criminally negligent if we did not act on that assumption. This is not to reflect on the loyalty of our employees or to suggest that any of our Security Agencies are "riddled" with Communists as has been alleged from time to time. We, ourselves, in spite of the most unusual precautions, have never detected a Communist in our ranks in the United States.

However, one of the elementary precautions of Intelligence Agencies the world over is the elaborate security and compartmentalizing of work so that no single individual below the very top level is able to gain the whole picture, even though he may obtain part of it. We have to act on the assumption that our opponents are at least as smart as we are, and that they will gain entrance from time to time. This necessitates constant vigilance in order to keep them out, to prevent them from obtaining vital information if and when they get in, and to detect and remove them as speedily as possible. CIA, in common with all other Security Agencies of Government, is extremely active in exercising such vigilance.

Truman Library, PSF–General file

The Director of Central Intelligence (Smith) to the President

WASHINGTON, 2 October 1950.

DEAR MR. PRESIDENT: I am thoroughly distressed and very much concerned with regard to two aspects of the flare-up in connection with my testimony in the Benton–McCarthy case.[1]

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[1] On Aug. 6, 1951, Senator William Benton (D.–Conn.) in commenting on a Senate Rules Committee report condemning Senator McCarthy's role in the 1950 Maryland Senatorial race, charged that Senator McCarthy was unfit to keep his seat and should be expelled from the Senate. On Oct. 9, 1951, the Senate Rules Subcommittee on Privileges and Elections voted unanimously to conduct a staff investigation during 1952 into Senator Benton's charges. The subcommittee opened hearings on May 12 at which time the two Senators traded charges of disloyalty and corruption.

Continued

In the first place, as far as I have read, many newspapers, even such reputable ones as the *New York Times*, in quoting my report to you omitted those parts which gave my considered opinion that the problems of Communist elimination from the Government will continue to be equally difficult regardless of whether the next Administration is Democratic or Republican, and that the plans and machinery now in effect to accomplish this elimination are about as good as can be provided under our American system. Most of those I have read also omitted my statement regarding the constant and effective support you have given to this Agency and to other Establishments of Government concerned with this problem.

As you are aware, I do not often express unsolicited opinions and when I do, as in this case, I say exactly what I think. Therefore, I would like in some way to make these opinions public if you think I can do this without prolonging or intensifying a thoroughly bad discussion to the detriment of this and other Executive agencies of the Government. I believe it is grossly unfair that you should be charged with having failed to take aggressive action to meet the Communist problem in Government when I know during my own service here that the exact contrary is the case.

In the second place, I find as the result of a phone conversation between one of my staff officers and Congressman Walter, of the House Committee on Un-American Activities, that in the opinion of the Democratic members of that Committee my testimony was the result of disloyal connivance on my part to injure your position or that of the Democratic candidate. This opinion, if general in the Committee, stems of course from my past close official and personal association with General Eisenhower.[2] I am as certain that I have your confidence as I am sure of your realization that I have only one loyalty and that is to the Chief under whom I am serving. As you have known for some time, it is not my intention to continue in Government Service after the end of your Administration and that I have no party allegiance or leanings whatsoever. Thus, while under ordinary circumstances I would be relatively indiffer-

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The subcommittee continued to hold hearings throughout the summer and autumn of 1952 amid a rising number of controversial resignations.

Smith testified before the subcommittee on Sept. 29, 1952, in response to the charge by Senator Benton that there were Communists in the Department of State as early as 1947. During the course of his statement to Senator McCarthy's counsel, Smith was reported to have said that Communists had infiltrated the Federal government even so far as the Central Intelligence Agency. Under further questioning, Smith said he did not know who these Communists were, he wished that he did, and he and his staff were working intensively to uncover and root out such individuals. See the *New York Times*, Sept. 30, 1952, p. 1.

[2] Lt. Gen. Smith had served under Gen. Dwight D. Eisenhower in 1942–1945 as Chief of Staff, Allied Force Headquarters, Europe, and then as Chief of Staff, Allied Expeditionary Force, Europe.

ent to such opinions, they involve in the present case an implication of disloyalty which I cannot stomach. Therefore, I am doing what I told you once is the earmark of a poor staff officer:—presenting my own problem for your decision. If I testify before this Committee on October 13th, it will undoubtedly provoke more headlines and more press reaction. Bad as this is, I think it would be worse if you were to tell me not to testify as this would cause a shout that you wanted to conceal something. It is possible that Speaker Rayburn or one of your personal staff may be able to convince Chairman of the Committee John S. Wood that I am neither disloyal nor the instrument of Republican connivance and that if so the Committee would agree to suspend the hearing or to withdraw their subpoena. Actually I can tell them nothing except that I testified under subpoena for the purpose of recording my opinion of General Marshall and the Soviet reaction to the Marshall Plan and that my answer to the question which aroused so much comment was an honest answer given under oath and adequately amplified to the press after the testimony. In any event, your judgment as to the course of action in both matters will be the best and I will be most grateful for it.[3]

Faithfully,

BEDELL SMITH

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[3] President Truman responded on Oct. 6 as follows: "Dear General: I appreciated very much your good letter of the second which was forwarded to me by Admiral Dennison. I understand the situation thoroughly and you need have no fear at all about my losing my confidence in you. I have the utmost confidence in you and I know you are doing a job that should be done. Naturally in a political year such as this it is customary to lift a statement from any member of the Administration and distort it. Just go ahead and tell the truth, do your job and don't let this thing get under your hide." (Truman Library, President's Secretary's file, General)

A/MS files, lot 54 D 291, "Reports: Misc. Reports"

Memorandum by the Chairman of the Loyalty Security Board (Snow) to the Secretary of State[1]

[WASHINGTON,] January 8, 1953.

Subject: Report on Loyalty Security Performance—1947-1952

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[1] In a memorandum to John F. Barnard of the Management Staff of the Bureau of Administration, dated Feb. 18, 1953, John W. Sipes of the Office of Personnel in the Bureau of Security and Consular Affairs wrote that he was attaching a copy of Snow's memorandum to the Secretary, "however I do not know whether this memorandum has actually gone to the Secretary but it has been given to Mr. Humelsine for delivery to the Secretary when he sees fit." (A/MS files, lot 54 D 291, "Reports: Misc. Reports")

1. Establishment and Authority

The Loyalty Security Board of the State Department was set up by Secretary Marshall, on June 9, 1947, as the Personnel Security Board. This was six months before the President's Loyalty Order (Executive Order 9835, March 21, 1947) was implemented by the issuance of directives by the Loyalty Review Board of the Civil Service Commission. During this six months the Board made 10 adverse decisions, basing its action on the McCarran Rider to the Appropriation Act, which gave to the Secretary of State the power of summary dismissal of employees, "whenever he shall deem it necessary or advisable in the interest of the United States". After the President's Loyalty Program was put into effect, on December 17, 1947, the Department's Board was re-named the Loyalty Security Board, and was given the function of administering the Loyalty Program, under the direction of the Loyalty Review Board, but still continued to administer security cases, in which no loyalty issue was raised, under the authority of the McCarran Rider.

2. Personnel and Office

The original Board consisted of three members, including the undersigned as Chairman. The present Board consists of 28 members within the Department and 13 members stationed in Germany. There are 41 State Department officers who at one time or another over the five years of its existence have served as members of the Board, but who, by reason of resignation, or of transfer of station or function, have become unavailable, and are no longer members. This makes 82 the number of State Department officers who at one time or another have served on the Board. The Chairman is the only member who has served throughout the period. The members have all been appointed by the Secretary acting through the Deputy Under Secretary for Administration and have been high-level officers of the Department. None of them have given full time to the Board, and they sit on cases in panels of three. The Chairman frequently sits on the panel, but by no means always; he has probably sat on four-fifths of the cases.

The Board was originally served by a part-time counsel. In August, 1950, however, the present full-time counsel, John W. Sipes, was substituted, and in June, 1951, an assistant full-time counsel, Lawson A. Moyer, Jr., was added. These counsel administer the office, draft interrogatories, write letters of charges, prepare cases for hearing, and assist in the hearings. The Board has an able secretarial staff, and occupies a dignified and convenient suite of rooms in New State, including two hearing rooms and five offices.

3. *Function of the Board*

The Board receives investigative reports of full field investigations made by the Federal Bureau of Investigation in loyalty cases, and of such investigations made by the Security Division of the Department in cases in which security alone is involved. These reports are submitted to panels of three and are read and considered by the designated panel. Since the files are objective and reflect all the information gathered, whether favorable or unfavorable, cases may be decided favorably to the employee on the information in the file alone. If more information is desired the panel may request further investigation by the FBI or by the Security Division, or it may address a written interrogatory to the employee and receive his sworn reply. In case the panel is still in doubt it must prefer charges and give the employee a hearing before it can recommend dismissal on matters relating to either loyalty or security. It should be noted that security is an issue in all cases, but the issue of loyalty arises only on a full field investigation by the FBI. To an adverse decision of the panel there is appeal to the Secretary of State in all cases, and a further appeal to the Loyalty Review Board in loyalty cases. All decisions in which loyalty is an issue, whether favorable or unfavorable to the employee, are submitted to the Loyalty Review Board for post-audit. If the Review Board disagrees with a favorable decision, it may, under its regulations, take over the case itself, re-hear the employee, enter its own findings and make an advisory recommendation to the Secretary, which in effect may sustain or reverse the Loyalty Security Board.

4. *Volume of Work—Adverse Decisions*

From its establishment through December 15, 1952, almost exactly five years since the implementation of the Loyalty Program, the Loyalty Security Board has received 684 loyalty cases, head count, and 61 cases involving security only, or a total of 745 cases, and has disposed of all but 100 loyalty cases and 10 security cases. Since many cases are considered more than once, the total of decisions made by the Board, case count, is much larger, 958 to be exact. During the course of this large volume of work, the Board has issued 285 interrogatories to employees under investigation, and has held 97 hearings on charges. In 77 cases the Board has requested further investigation by the Federal Bureau of Investigation.

There has been some public criticism of the Board by persons unacquainted with its work. Unfortunately unfamiliarity with the work of the Board at one time extended even to some members of the Review Board, with the consequences that some remarks by one member of that Board, intended for its ears alone, and not based on fact, were abstracted from its records and published abroad. It is the understanding of the Chairman that the Review Board is presently well satisfied with the work of the Loyalty Security Board. At any rate, out of 575 post-audits of the Loyalty Security Board decisions, the Review Board remanded but 19 cases and has reversed the State Department Board in but two instances.

As a matter of fact, since its inception the Loyalty Security Board has made 30 adverse decisions, three on grounds relating to loyalty, 15 on grounds relating to security but in cases in which loyalty was in issue, and 12 in cases in which only security was involved. Some comment may be required as to the small proportion of cases in which disloyalty was found. This is affected by at least three factors: (1) The Department had its initial housecleaning in 1947, before the Loyalty Program was set up. The 10 adverse decisions of the Board during this period have to be classed as security decisions, because there was no Loyalty Program in effect. Since these were the outstanding bad cases of the Department, at least some of these decisions would probably have been based on loyalty, had the Loyalty Program been then in operation. Similar cases in other Departments of the Government would have been entered in the loyalty column.

(2) From time to time and especially during 1948, employees, against whom charges were serious, have resigned prior to a decision by the Board. During the five years the Board has lost jurisdiction of 51 cases, by separation after it had received the case but prior to decision. It is impossible to say how many of these cases would have led to adverse loyalty decisions had the Board been able to finish its work. In at least 20 of these cases charges and hearing had been voted by the Board.

(3) The original standard of judgment in loyalty cases was quite strict. The Board was not permitted to find disloyalty unless "on all the evidence reasonable grounds exist for belief that the person involved is disloyal to the Government of the United States". By Executive Order 10241, April 28, 1951, the President changed the standard so that an employee could be removed if "on all the evidence there is a reasonable doubt as to the loyalty of the person involved to the Government of the United States". Since from the beginning the Loyalty Security Board has applied the standard of reasonable doubt to the issue of security, it was, prior to April 28, 1951, much easier to find security risk than disloyalty. Promptly on the change in the standard, however, the Board found adversely on grounds relating to loyalty in three cases. There is presently no difference between the standard applied to loyalty and that applied to security. In either case if there is a reasonable doubt, the Department is given the benefit of the doubt.

5. Product of the Board—"McCarthy Cases"

684 employees of the Department of State have been given a "full field investigation" by the Federal Bureau of Investigation and processed under the loyalty program. 584 of these have been passed before a panel of the Loyalty Security Board, and all but 18 have been 'cleared' as to both loyalty and security. Many of them have been cleared more than once: Some of them have been reconsidered under the new standard; some of them have been reconsidered owing to supplemental information received from the Federal Bureau of Investigation; and 19 of them have been reconsidered on remand from the Review Board for further processing. In only four cases has the Review Board exercised its power to take over the case, hold a hearing, and decide the case for itself; in two of these cases the Review Board sustained the Loyalty Security Board, and in two of them it reversed the Board, the John S. Service and the John Carter Vincent cases.

In February, 1950, Senator Joseph M. McCarthy stated publicly that there were 205 known Communists in the State Department. Subsequently, on February 20, 1950, in the Senate of the United States, he gave a list of 80 persons, 42 of whom were then, or subsequently, in the employ of the Department. He afterward added names, so that in all there are now 61 persons whom Senator McCarthy has identified as Communists or persons "loyal to the Communist Party". In 8 of these cases no loyalty issue ever arose in the Department, in that the individuals were favorably processed as to loyalty by the FBI, who, finding no disloyal data, returned the names to the Department without full field investigation and submission to the Board. Of the remaining 53, 34 had been already cleared by the Loyalty Security Board (and 27 of these cases post-audited by the Loyalty Review Board) before the Senator spoke. Since then, six of the named persons have resigned and one has died (all after clearance and favorable post-audit). All of the remaining 28 cases have been reconsidered under the new standard, and with two exceptions have been cleared by the Loyalty Security Board (24 have been finally and favorably post-audited by the Review Board). In two cases only, as stated above, has the favorable decision of the Loyalty Security Board been reversed by the Review Board.

In résumé, of the 61 State Department employees named by Senator McCarthy, only four have been rated ineligible for employment, two by the Loyalty Security Board—Esther Brunauer and . . . both on security grounds—and two by the Loyalty Review Board—John S. Service and John Carter Vincent, both on loyalty grounds.

The Loyalty Security Board has from the beginning considered itself to be a judicial body, and has endeavored to perform its duty honestly with due regard to the evidence, with fairness to the employee, and with proper appreciation of the gravity of the issues involved to the Department and to the Country. It should not be overlooked that the Board has had no jurisdiction to pass on the suitability of employees, as distinguished from their loyalty or security.

[Here follows numbered paragraph 6 which indicates that 3 attachments accompanied the memoranda: (1) "A year-by-year analysis of the adjudication of cases by the Loyalty Security Board," (2) "A step-by-step history of the 30 adverse decisions of the Loyalty Security Board," and (3) "A step-by-step history of the 61 cases named by Senator McCarthy who were employed at the time of his charges." None of these attachments was found with the source text.]

Editorial Note

On January 16, 1953, the Assistant Secretary of State for Public Affairs, Howland Sargeant, sent a memorandum to Secretary of State-designate John Foster Dulles concerning ways in which the morale and reputation of the Department of State might be restored in light of Congressional attacks upon the Department's reliability. For text of this memorandum, see page 40.

Eisenhower Library, Dulles papers, "Telephone Conversations"

Memorandum of Telephone Conversation [1]

[WASHINGTON,] January 28, 1953.

Participants: Secretary Dulles
Senator Joseph R. McCarthy

Senator McCarthy telephoned the Secretary today to tell him that his Committee on Government Operations is investigating the State Department's filing system, but not from the communism angle. If it discloses anything along that line it will be referred to Sen. Jenner. He advised the Secretary that he would probably want to call in someone from the Archives to set up a new system. The Secretary said he knew from previous experience that once anything was filed here it was lost.

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[1] Drafted by Secretary Dulles' personal secretary, Burnita O'Day, and by Special Assistant to the Secretary of State Roderic L. O'Connor.

The Secretary told Senator McCarthy that he wanted all the help he could get and if anything was discovered he wanted to know about it, but he wanted the thing handled tactfully.

The Senator said that he would like to see the Secretary after he returned from Europe,[2] when he would have some concrete suggestions, etc. The Secretary asked if he had discovered any evidence of bad intent, and the Senator said that it was mostly wastefulness and inefficiency.

The conversation closed with the Senator repeating that he would try to see the Secretary after his return.

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[2] For documentation on the tour of European capitals by Secretary of State Dulles and Mutual Security Director Harold Stassen, Jan. 31–Feb. 8, 1953, see vol. v, Part 2, pp. 1548 ff.

A/MS files, lot 54 D 291, "Chronological, 1953"

Memorandum by the Assistant Secretary of State for Administration (Humelsine) to the Under Secretary of State for Administration (Lourie)[1]

CONFIDENTIAL [WASHINGTON,] February 16, 1953.

Subject: Senator McCarthy's 81 Cases

As you may know, one of the most controversial items in the security-loyalty field has been Senator McCarthy's charges regarding a list of 81 individuals.

The following is a run-down of the 81 cases and the facts in regard to them to the best of my understanding:

1. In March 1950, Senator McCarthy gave to the Senate investigating committee appointed to investigate his charges the names of 81 persons whom he (Senator McCarthy) said were then employed in the State Department. Senator McCarthy stated that an examination of the loyalty files of the 81 persons he named would prove that his charges against them were well founded.

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[1] Meade, Boykin, and Ford concurred in this memorandum.

The change of Administration in January 1953 brought about certain changes in administrative function and nomenclature within the Department of State. The post of Deputy Under Secretary of State for Administration was abolished. The Bureau of Administration was provided an Assistant Secretary of State in conformity with other bureaus in the Department. At the same time, a Bureau of Security and Consular Affairs (SCA) was created under an Administrator, the first of whom was Scott McCleod. To exercise overall supervision of both the Bureaus of Administration (A) and SCA, the Eisenhower Administration established the Office of the Under Secretary of State for Administration (O); the first individual to fill this post was Donold B. Lourie. Lourie and his successors were charged with overall administration of the Department of State, the Foreign Service, and the personnel practices of both.

2. Examination of the "81 names" Senator McCarthy furnished disclosed that there were only 80 names and, as to those 80 names, established the following information:

(a) That *only 42* of the "81" names Senator McCarthy submitted were employed by the State Department on February 9, 1950, when Senator McCarthy made his Wheeling, West Virginia radio speech.

(b) That 5 of the persons named on Senator McCarthy's list of "81" *never were employed by the State Department.*

(c) That 33 of the persons named in Senator McCarthy's list of "81" had left the State Department before Senator McCarthy made his Wheeling speech due to resignation or because of the reduction or elimination of employees.

(d) That, during 1947 and 1948, all of the Department's loyalty and security files were examined by or made available to four separate committees of the 80th Congress, and this applies to all of Senator McCarthy's "names" who were in fact present, past, or prospective employees, with one exception. The exception was the case of one prospective employee (subsequently cleared by the Department and post-audited by the Loyalty Review Board of the Civil Service Commission) whose investigation was not commenced until the latter part of May 1948.

3. The first of these investigations was made by a subcommittee of one, appointed by the House Committee on Foreign Affairs. It consisted of Representative Jonkman, Republican, of Michigan. At the conclusion of his examination of the files made available to him, Representative Jonkman stated in a speech on the floor of the House of Representatives the following:

> "But before the 80th Congress adjourns, I want the members to know that there is one department in which the known or reasonably suspected subversives, Communists, fellow travelers, sympathizers, and persons whose services are not for the best interests of the United States, have been swept out. That is the Department of State." [See page 9643, *Congressional Record* of August 2, 1948.][2]

4. Two other committees of the House of Representatives examined the Department's loyalty and security files in 1947–48. These were the Committee on Appropriations and the Committee on Expenditures in the Executive Departments.

5. These files were also made available to the Senate Appropriations Committee in the years 1947–48.

6. In addition to Congressman Jonkman's remarks mentioned above, the three other committees, after examination of the loyalty program and having access to the files, failed to name any of the persons whose loyalty files were examined as "Communists", "card-carrying Communists" or "disloyal". In the case of these three

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[2] Brackets in the source text.

latter Congressional committees, their proceedings were printed as official public documents.

7. Attached are the names and pertinent data in regard to each of the 80 persons named in the "81" list.

Recommendation

For the protection of the Department in the future, in fairness to the individuals presently on the Department's rolls, and for the new Administration's assurance and protection, *I strongly recommend that* you have an independent review made of the 30 employees still in the employment of the Department, and also familiarize yourself with the complete history of the "81" cases. This should be no second-hand review, in my judgment, but a fresh new look.

I make this recommendation because I believe you will find after a period of time has gone by that the "McCarthy cases" will be the problem of the new Administration, not merely a legacy from the past one. I will hazard a guess that you will be asked at some future date what you have done about the matter.

CARLISLE H. HUMELSINE

Eisenhower Library, Dulles papers, "Telephone Conversations"

Memorandum of Telephone Conversation [1]

CONFIDENTIAL
PERSONAL AND PRIVATE

[WASHINGTON,] February 19, 1953.

TELEPHONE CONVERSATION WITH MR. LOURIE

The Secretary called to ask whether Mr. Lourie was seeing the Capitol people and Mr. Lourie replied that he was working on a letter to Sen. McCarthy, he hoped to get the Matson case cleared up and then sit down and talk to the Senator. He said that the Senator had asked for all the political guidance material from the IIA and it is the type of material which he shouldn't have since it reveals our foreign policy aims. He thought it might be necessary eventually for the President and the Secretary to get into this.

The Secretary wants to find a basis for cooperation with McCarthy and not be opposing everything that he wants to do. He said that it is the political equivalent of the early 1930's when the Democrats were digging up all the dirt in preceding Republican administrations, and that we as Republicans must not be put in a position of defending all the past mistakes of this administration. The campaign brought out all these things and the people apparently wanted a change and wanted these things brought out or they would have continued the old administration in power. When it comes to the political directives, it may be quite true that all of them cannot be given out without harm to security but many of them can.

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[1] Drafted by Secretary Dulles' personal secretary Burnita O'Day.

Mr. Lourie thinks that if he can talk off the record with the Senator he can settle the Matson case, and let the Senator know that we are willing to cooperate.

The Secretary also pointed out that we know there has been lots of sloppiness and inefficiency, some of this would probably be brought out by the directives. Don't take an arbitrary position on the sanctity of all of this stuff which merely means that we are protecting the past mistakes and will turn the Republicans in Congress against us.

USIA files, lot 56 D 581, "McCarthy Committee": Circular telegram

The Secretary of State to Certain Diplomatic and Consular Offices [1]

RESTRICTED PRIORITY WASHINGTON, April 2, 1953—5:29 p.m.

997. Codel. Department informed Roy Cohn, Chief Counsel; David Schine, Chief Consultant, U.S. Senate Permanent Sub-Committee on Investigations planning next twelve days visit Paris, Frankfurt, Berlin, Bonn, Munich, Vienna, probably that order. Arriving Orly Field 1330 local time April 4, MAT Flight A1-23, approximately three days have expressed desire consult top staffs SRE Information Division and REGPA, also USIS Paris, others.

Visitors plan consultations April 4, 5. Dennis and Hulten [2] should contact on arrival and arrange make selves and top staffs available.

Request Paris Embassy provide airport transportation and reserve two single rooms Crillon. Posts requested extend all possible courtesies, including notification to next post of arrival.

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[1] Drafted by Earl McChesney of the Office of Congressional and Public Information, U.S. Information Agency. Approved for transmission by the Director of the office, Ben G. Crosby. Cleared by a number of bureaus and offices in the Department of State and by the Department of Defense. Sent to six Embassies and three Consulates as well as to HICOG Bonn, Frankfurt, and Berlin. Telegram 6603 sent priority to London, Apr. 4, 1953, reads: "ReDeptcirtel 997 Apr. 2. Revised itinerary includes London following Paris. No information available exact date arrival." (USIA files, lot 56 D 581, "McCarthy Committee") A handwritten notation on telegram 6603 reads: "Our boys?" Another below it reads: "yes."

[2] Frank L. Dennis was Director of the Information Office in the Office of the U.S. Special Representative for Europe. Charles Morris Hulten was U.S. Information Service Regional Representative at the Embassy in Paris.

In Bonn, consultation top PUB staff and other HICOG officials. Berlin and Munich, PUB operations, USIS centers and other IIA activities, especially VOA, Munich. If time allows interested in Frankfurt PUB program as well as Army Information activities.

Since visitors interest may extend beyond those expressed, posts should be prepared render assistance. Department has provided brief background materials re REGPA also USIS in countries concerned.

Chairman Senate Government Operations Committee has requested use MSA counterpart under Section 527 MSA Act. SRE and Posts authorized advance local currency upon request for official expenses.

Since plane uncertainties might alter schedule, Posts other than those to which visits planned being informed.

DULLES

033.1100 CO/4-353: Telegram

The Secretary of State to the Embassy in France [1]

SECRET WASHINGTON, April 3, 1953—10:52 a.m.

5098. Eyes only Chief of Mission. Reference Depcirtel 997 April 2,[2] trip Cohn and Schine, staff McCarthy Comite. Dept wishes missions cooperate with investigators and furnish them such info as necessary accomplishment purpose their mission as described reftel. However under existing directives there is no authority make available info re security matters or policy directives. More specifically, no info contained in personnel security files will be divulged to investigators. Beyond this, Chief of Mission authorized use own discretion. Any requests by investigators for info this type must be dealt with by high ranking and experienced officer of mission who can handle situation with tact and judgment. Limitations referred to above same as limitations imposed by Dept on info furnished investigators in Washington. Any requests by staff to retain classified documents will be denied. If assertion made that comite must have document, staff will be informed that mission will forward documents to Dept for decision.

This info furnished for your guidance and must be discreetly handled.

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[1] Drafted by Ben H. Brown, Deputy Assistant Secretary of State for Congressional Relations. Sent also to London, Vienna, and Bonn.

[2] *Supra.*

Personal from Smith to Aldrich, Dillon, Thompson and Conant or Acting Chief HICOG.[3]

I want to emphasize that the above instructions which indicate the need for your personal attention to this matter mean what they say. This is not something which can be delegated to a junior member of the staff but requires firm and very careful handling.

DULLES

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[3] The recipients named here are identified as follows: Winthrop W. Aldrich, Ambassador to the United Kingdom; C. Douglas Dillon, Ambassador to France; Llewellyn E. Thompson, Jr., U.S. High Commissioner for Austria; and James B. Conant, U.S. High Commissioner for Germany.

Secretary's Letters, lot 56 D 459, "D-E"

The Chairman of the Permanent Subcommittee on Investigations of the Committee on Government Operations of the United States Senate (McCarthy) to the Secretary of State

WASHINGTON, April 7, 1953.

DEAR MR. SECRETARY: Two members of my staff, Mr. Cohn and Mr. Schine, have been visiting various State Department libraries and taking statements from some of those active in the Information Program in Europe. Last night via long distance telephone they gave me the very encouraging information that under your administration the books of Communist authors are being removed from the shelves of our libraries abroad. I am sure it will be encouraging to the American people to know that the works of Communist authors, which were purchased by the Acheson administration and stocked in our libraries throughout the world, are being removed under your administration of the State Department.

Over the past several weeks we have been questioning the various Acheson lieutenants to obtain the names of the individuals who were directly responsible for purchasing and placing in our libraries throughout the world the books of some seventy-five different Communist authors like William Z. Foster, Earl Browder, Agnes Smedley, etc. To date we have encountered nothing but bad memories, evasion, and no cooperation whatsoever from them.

As you know, the Information Program has been heralded and publicized by the Acheson–Truman regime as a weapon with which they fought Communism. To date none of the Acheson–Truman team have come forward to explain how they thought they were fighting Communism by purchasing, distributing, and placing the U.S. stamp of approval on a vast number of well known Communist authors. Incidentally, a number of those authors have appeared before our Committee and have refused to testify as to whether they have been engaged in espionage or sabotage against the United States, on the ground that if they truthfully answered the question it might tend to incriminate them.

Louis Budenz,[1] who as you know has been of almost untold value in convicting and deporting Communists, testified that the placing of these Communist works in our libraries throughout the world was most likely the work of hidden Communists in the State Department. Therefore, I would very greatly appreciate it if you could designate someone in your department to run down the purchase orders of these various Communist books to their sources, or if the books were accepted as gifts, then the names of the individuals who accepted them and placed them on the shelves. I am sure you are as interested as my Committee in determining the names of the individuals and whether they are still in the State Department.

At the earliest possible moment we shall give you a report upon what our Committee has discovered in its current investigation of the Information Program. Incidentally, one of the matters that my staff is looking into in Paris is what appears to be waste and duplication in connection with the Voice of America and MSA Information Programs both operating out of Paris. I think it should be made clear that the MSA Information Program was not initiated by MSA Director Stassen, but by his predecessor Harriman. Mr. Stassen, having recently taken over, obviously has not had sufficient time to clean up the matter.[2]

Sincerely yours,

JOE MCCARTHY

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[1] Louis F. Budenz was a professional journalist and former member of the Communist Party who had been labor editor, 1935–1937, and managing editor, 1940–1945, of the *Daily Worker*.

[2] Secretary Dulles replied on Apr. 10 as follows: "My dear Senator McCarthy: I have your letter of April 7th. I think the point you make about works of Communist authors on State Department bookshelves abroad seems well taken and I am asking Don Lourie to look into this matter and let your Committee know what we find. I shall also be happy to have any additional information which your current investigation may supply on the workings of our Information Program. Of course, I recognize that, as you say, the present conditions were created some time in the past under a previous Administration and the responsibility for these conditions may now be difficult to pin down. We shall, however, endeavor to do so, and in this connection, I trust that the efforts of your Committee will be helpful. Sincerely yours, John Foster Dulles." (Secretary's Letters, lot 56 D 459, "M")

711.52/4-753

The Ambassador in France (Dillon) to the Under Secretary of State (Smith)

SECRET PERSONAL PARIS, April 7, 1953.

DEAR GENERAL: Herewith a short summary of the first visit to Paris by Cohn and Schine. They arrived Saturday noon and left Sunday afternoon. They could not see a number of people they had planned on seeing because of the Easter Holidays, so they cut short their visit and went on to Bonn. They will be coming back here later to finish up. We had no problems with them in carrying out the directives in your 5098.[1] They did not ask for anything out of personnel files or for any confidential policy directives.

They saw Draper,[2] his Security Officer, his Public Affairs Officer, and the second man in REGPA which works out of Draper's office. In the Embassy, they saw Moffly who is our Acting Public Affairs Officer; the Cultural Officer, Morris; and our Security Officer.

They seemed interested primarily in checking up further on subjects on which they already had definite ideas rather than on looking for new things. They asked Moffly, who had been in Vienna, about the VOA antenna there, and he told them that the British had objected to the original planned height of the antenna as being a dangerous obstruction in the flight path of the airport. They were interested in our Cultural Officer, Morris, because he had been in Washington with IIA and had had something to do with choosing the books that went in the USIS libraries. Incidentally, we offered to show them the USIS library in Paris, but they declined and said that they did not have the time. Maybe, they will look at it when they come back.

Their main points of interest fell in two categories. First was criticism of the duplication of information activities in Paris. On arrival, they were under the impression that there were four separate American information services operating in Paris; namely (1) USIS, (2) MSA, (3) REGPA, (4) SRE information. We convinced them pretty thoroughly that USIS and MSA were now in fact one, but that still leaves three agencies operating here in Paris. That obviously is a weak point, and I assume is one of the first things that any reorganization of SRE will aim to correct. However, I am afraid that you can expect that Senator McCarthy may be the one first to "discover" publicly that such duplication exists. They asked for information regarding the number of people employed by our Embassy USIS/MSA information program and the total overall costs of the program. When we told them that such information would not be accurate because we were in the midst of a drastic curtailment, they asked for last year's figures and our estimates of how many people we will employ after the cuts are complete, and how much the program will cost at that time. We are preparing some information for them along this line and will give it to them on their return unless you feel this would be unwise. My own feeling is that it is all information they can get from other sources in Washington and that we should give it to them. We will, of course, send you a copy of whatever we give them. They are asking for similar information from REGPA and SRE information plus some sort of memorandum showing how they work with each other and with the USIS sections in the various Embassies in Europe.

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[1] Dated Apr. 3, 1953, p. 1438.

[2] William H. Draper, U.S. Special Representative in Europe.

Their second main point of interest was to promote attacks on IIA in Washington. They spoke very disparagingly of IIA because of its lack of helpfulness to the field. In particular, they objected to the lack of clear and concise instructions and policy directives from Washington to the field. As an example, they cited the recent order regarding removing books by Communists or fellow-travellers from the USIS libraries. They were fully familiar with the details of the order and stated that they had seen its text. They seemed to think that Washington should have sent out a complete list of authors whose works should be removed, rather than leaving it up to the local public affairs officer within very general policy limits.

They also objected to the fact that there was no IIA directive stating that the fundamental and primary purpose of all information activities must be to fight Communism. In talking of IIA, they frequently criticized by name [here follows a brief report of comments made by Cohn and Schine concerning Brad Connors and two other individuals].

Their interviews with SRE and Embassy Security Officers were very short. They were interested in how employees were checked for security and seemed satisfied when told that all American citizens were cleared by Washington, and that local employees were only hired after CIA and FBI checks. They did not ask for any specific information.

On their return, they wish particularly to see General Norstad because of some word from Senator Symington. They also wish to see Charles Thomson, the head of the American Delegation to UNESCO, and a Mr. Taylor, an American citizen who is Acting Director General of UNESCO. I am told by my staff that there is a situation among UNESCO employees similar to that that was developed regarding the UN in New York. A number of UNESCO employees who are American citizens have, I am told, refused to answer loyalty questionnaires and are still working for UNESCO.

These are supposed to include some fairly senior employees. If this turns out to be accurate, you can probably expect an exposé of UNESCO personnel of American citizenship and an attack on the slowness of the Department in acting to clear up this situation.

This about completes the story as we know it. They may have seen other people Saturday night, of whom we know nothing. I will send you another letter after their next visit.

With best wishes,

Sincerely,

DOUGLAS DILLON

033.1100 C0/4-953: Telegram

The Secretary of State to the Embassy in France[1]

CONFIDENTIAL PRIORITY WASHINGTON, April 9, 1953—12:30 p.m.

5149. Re Deptel London 6571; Paris 5098; Vienna 2901; Bonn 4801; Rome Wirom 3968; Belgrade Wirom 1251.[2] Dept desire to cooperate Congressional investigating Committees well known to Cohn and Schine.

Dept instructions re release classified information to investigators as follows:

1. No personnel security information contained Regional or Post Security Office files will be made available.
2. Top secret and secret security information will require approval of Dept prior being made available.
3. Confidential and restricted security information will be made available at discretion Chief of Mission.
4. Confidential and restricted non-security information may be made available on request.

Policy Directive 303 March 17[3] discussed with Cohn and Schine prior departure. Mission may inform investigators action taken thereunder.

Any requests to retain classified documents will be denied. If documents are required investigators shall be informed that they can only be made available at Dept.

It is expected that Cohn and Schine will request discussing certain phases their problems with Regional Security Officers. Inform Regional Security Officers of contents this and retel. Where requested Regional Security Officers may accompany investigators to posts where Regional Security Officers not resident.

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[1] Drafted by John Raymond Ylitalo, Special Assistant to the Administrator of Security and Consular Affairs, and Peter Regis, Chief of the Physical Security and Foreign Operations Staff, Office of Security, Bureau of Security and Consular Affairs. Sent also to London, Vienna, Rome, Belgrade, and Bonn.

[2] Dated Apr. 3, 1953, p. 1438.

[3] Reference is to InfoGuide Bulletin 303, Mar. 17, 1953; for text, see volume II.

Dept recognizes visit investigators requires utmost courtesy and good judgment Missions.

DULLES

033.1100 CO/4-1053 : Telegram

The Deputy United States High Commissioner for Germany (Reber) to the Department of State [1]

CONFIDENTIAL BONN, April 10, 1953—8 p.m.

4562. Following is the tentative itinerary for Roy Cohn, Chief Counsel, and George David Schine, Chief Consultant, staff members Senate Committee on Government Operations.

Munich–Vienna April 10 PA 180 leave 1235 arrive 1400.
Vienna–Munich April 12 PA 181 leave 1515 arrive 1640.
Munich–Belgrade April 14 YU 241 leave 1210 arrive 1625.
Belgrade–Athens April 16 YU 410 leave 0800 arrive 1305.
Athens–Rome April 17 BE 127 leave 1255 arrive 1605.
Rome–Paris blank Paris–States blank.

The above staff members have specifically requested that all information regarding the following be referred to them for reply.

(a) Itinerary.
(b) Individuals and subjects discussed with them.

Under no circumstances are any of the posts to set up any schedules prior to consulting with Cohn and Schine.

Meet and hotel at each post. Notify onward post of ETA and ETD.

REBER

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[1] Also sent niact to Munich; repeated to Vienna, Belgrade, Athens, Rome, and Paris.

USIA files, lot 56 D 581, "McCarthy Committee"

The United States High Commissioner for Austria (Thompson) to the Department of State [1]

CONFIDENTIAL VIENNA, April 14, 1953.
No. 1744

Subject: Report Requested by Mr. Roy Cohn Representing Senate Sub-Committee on Government Operations

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[1] Drafted by Orville H. Transtrum, Director of the Administrative Division of the Embassy in Austria.

Mr. Roy Cohn and Mr. David Schine, representatives of the Senate Subcommittee on Government Operations, arrived in Vienna the evening of April 10 and departed for Munich the afternoon of April 12, 1953.

On April 12 Mr. Cohn requested an official of the Embassy to supply him with a report outlining the dealings of the Embassy with the firm Globus G.M.B.H., (No. 2). Mr. Cohn specifically requested that the report cover Globus' participation in the printing of the weekly program of Red-White-Red Radio which appears in the "Grosse Osterreich Illustrierte" and that such information be mailed so as to reach the Department by April 20, 1953.

An investigation conducted April 13 by the Embassy Fiscal Officer and Acting Security Officer disclosed the following business transactions between the Embassy and Globus G.M.B.H., Vienna (No. 2):

(a) A monthly subscription to the "Pressedienst" (K.P.O. publication) has been procured since December, 1950 to date for the use of the editorial desk of the *Wiener Kurier*. Material contained in the publication is used by the editors of the *Wiener Kurier* to help in the refutation of statements appearing in other Communist publications and to otherwise embarrass the Communist cause wherever possible. Globus is the sole source of supply for this publication in Vienna.

(b) Subscriptions to the "Szabad Ifjusag" and "Trodalmi Ujsag" were procured in May through December, 1952 at the request of the Department and were charged to IIA allotment 1921124-2M00060.

The investigation further disclosed that the weekly listing of Red-White-Red radio programs appearing in the "Grosse Osterreich Illustrierte" as well as the "Grosse Osterreich Illustrierte" itself are printed by the firm Elbemuehl. The officials of Elbemuehl state categorically that the printing of the radio programs or of the "Grosse Osterreich Illustrierte" has never been subcontracted to Globus. The firm Elbemuehl enjoys the reputation of a first-rate, reputable, and highly respected business firm. As the Department is probably aware, the "Grosse Osterreich Illustrierte", a weekly magazine, is owned by interests close to the People's Party.

Mr. Cohn requested that the foregoing information be made available to Mr. Scott McLeod, from whom he, Mr. Cohn, expects to obtain the report at some future date.

LLEWELLYN E. THOMPSON, JR.

033.1100 CO/4-1753

The Chargé in Yugoslavia (Wallner) to the Department of State [1]

CONFIDENTIAL
BELGRADE, April 17, 1953.
No. 841

Ref : Paragraph 328, Section E, Handbook on Congressional Foreign Travel; Embtel 1460 of April 16, 1953 [2]

Subject: Codel: Visit of Staff Members, U.S. Senate Permanent Sub-Committee on Investigations

The following report is submitted with respect to the visit to Yugoslavia of Roy Cohn, Chief Counsel, and G. David Schine, Chief Consultant, staff members, U.S. Senate Permanent Sub-Committee on Investigations.

In advance of their arrival, the Embassy notified the Foreign Office of the proposed visit, emphasizing that it was concerned only with the official American establishment.

Mr. Cohn and Mr. Schine arrived from Munich by air at the Belgrade/Zemun airport at 1645 on April 14, 1953. They were met by Bruce Buttles, First Secretary/Public Affairs Officer, and William L. Frost, Third Secretary/Vice Consul. Because of local conditions, they were offered quarters in the official residence, which since the departure of Ambassador Allen and his family has been occupied on a caretaker basis by Mr. and Mrs. Frost. A briefing on the political situation in Yugoslavia and the work of the U.S. Information Service in this country was provided at the residence during the evening of April 14 by the Chief of the Political Section (Mr. Turner Cameron), the Public Affairs Officer (Mr. Bruce Buttles), and myself.

On April 15 both Mr. Cohn and Mr. Schine made a survey of USIS Facilities, with special emphasis on the library activity. On their own initiative they also visited the British Embassy Reading Room, and in the late afternoon were given a brief familiarization trip through one of the farming and agricultural village areas near Belgrade. That evening they met the Chief of the MSA Mission (Mr. James Killen), the Military Assistance Attaché (Brig. Gen. John Harmony), and other staff members at my residence. Afterwards they dined informally with members of the Public Affairs Staff.

The visitors were accompanied to the airport on April 16 by Mr. Buttles and Mr. Frost. They departed at 0810 by air to Athens, and Embassy Athens was immediately notified by telephone to that effect.[3]

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[1] Drafted by First Secretary of Embassy Bruce Buttles.

[2] Not printed. (033.1100 CO/4-1653)

[3] No record of Cohn's and Schine's visit to Athens has been found.

Except for the press, Mr. Cohn and Mr. Schine confined their contacts to Americans while in Belgrade, and requested no classified official material. An informal press conference which they held at the airport on arrival resulted in the publication of a factual account in the local press of comments concerning the nature of their visit, and of a humorous cartoon. No other notice has come to the Embassy's attention.

Before leaving Yugoslavia, Mr. Schine requested the Embassy to compile information concerning the work and extent of the Yugoslav information services. This material will be forwarded separately to the Department for transmission to the Committee staff.

WOODRUFF WALLNER

033.1100 CO/4-2053

The United States High Commissioner for Austria (Thompson) to the Department of State [1]

CONFIDENTIAL
No. 1754

VIENNA, April 20, 1953.

Subject: Visit to Vienna of representatives of the Senate Permanent Investigating Subcommittee

Mr. Roy M. Cohn, chief counsel of the Senate Permanent Investigating Subcommittee, and Mr. David Schine, chief consultant of the same, arrived in Vienna on Friday evening, April 10 in the course of their investigative tour of overseas USIS establishments, and departed on Sunday, April 12.

Directly upon their arrival, Messrs. Cohn and Schine met with representatives of the US and Austrian press, and at the outset of a one-hour conference, stated that the purpose of their trip was to investigate the general efficiency with which USIS operations were being conducted in the countries visited. Discussions with Embassy officials concerning the Austrian program began at noon next day with a half-hour meeting with the High Commissioner,[2] followed by brief interviews with three officers of the Public Affairs Division's Information Branch and visits to the Soviet and US Information Centers. On Sunday, April 12, the investigators paid a second visit to the US Information Center and later conferred with the Embassy's Counsellor for Economic Affairs, the Director of the Administration Division, and two officers of the Security Branch.

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[1] Drafted by William H. Hale, Laurence P. Dalcher, and Herman Stein of the Public Affairs Division.

[2] No record of the meeting under reference has been found.

Apart from the Center and the offices of three Information Branch officials, no USIS installations were visited, and general briefing on the Public Affairs Program was not requested or encouraged, with the result that none was given. Because of the schedule they had set themselves, Messrs. Cohn and Schine were unable to devote more than 3½ hours to discussions with Embassy officers and visits to the US Information Center.

The remainder of the visitors' time, apart from two press conferences, was reserved at their own desire for what they described as meetings with other local "contacts". Embassy officers were given no indication as to who these might be, but in their talks with the press Messrs. Cohn and Schine stated that some of these were Austrians particularly qualified to give information about the conduct of USIS operations here. To correspondents they explained, further, that some of these were persons with whom the Subcommittee had already maintained contact "for some months", while others were individuals with whom contact was now about to be established.

In their meeting with the High Commissioner (attended also by the Deputy High Commissioner and the Public Affairs Officer) the visitors inquired as to the role of the USIS daily newspaper, the *Wiener Kurier*, and the USIS Red-White-Red radio network, and were briefed as to the special usefulness of these instruments as counterweights to Soviet occupation pressures and as guarantors of the dissemination of truthful news and opinion supporting US policy in this area. On inquiring into the costs of the *Kurier*, the investigators appeared favorably impressed by the information that high sales and advertising revenue had enabled the paper to come very near to breaking even. In general, both in this interview and in subsequent comments made to the Public Affairs Officer, they appeared receptive to the role of the USIS newspaper.

In the radio field, in connection with testimony recently given at the Subcommittee's hearings, questions were asked concerning the reduction in height ordered in 1951 of the new Vienna Red-White-Red transmitter then to be installed. The investigators were reminded of the highly technical nature of the dispute between consultant engineers then employed by the Department of the Army and State Department, respectively, concerning the possible coverage effects of such reduction, and it was recalled that nothing in any instruction given to the Embassy had considered the use of the Red-White-Red-Vienna transmitter for purposes other than local broadcasting in the German language.

Other questions asked at this meeting included one on the general usefulness of motion pictures provided by the Department, to which the reply was made that while some documentaries provided were excellent, a greater flow of educational pictures provided by the motion picture industry itself would also be desirable. In reply to a query as to the usefulness of USIS pressfile and feature material, the high rate of consumption of much of this material by indigenous newspapers was stressed.

Proceeding to the Information Branch, where the visitors had expressed a desire to interview Mr. Henry Reinert, the editor of the *Wiener Kurier*, they questioned Mr. Reinert about his opinion of the *Kurier* and Red-White-Red, the number of employees on the *Kurier* staff and their security-clearance status, the purposes and costs of the USIS program and what he considered to be the purpose of the Senate Permanent Investigating Subcommittee. The interview lasted ten minutes.

Before concluding the questioning, Messrs. Cohn and Schine interrogated Mr. Reinert concerning two alleged communists associated with DENA, the wire agency established and licensed in Germany in 1945–47. Mr. Reinert was able to supply certain information concerning the movement of these journalists to East Berlin in 1947, but stated he was unaware of their activities subsequent to that time.

The visitors next asked to see Mr. Harry Skornia, the Radio Officer, whom in a fifteen-minute interview they interrogated concerning personal background, the cost of the Red-White-Red operation, the number of its employees, and their security-clearance status. He was asked to evaluate the *Wiener Kurier* and to state which of the two instruments—radio network or newspaper—he considered the more valuable in the event that one of them was to be dropped. Mr. Skornia answered that in his opinion, the two were complementary instruments of equal value.

In conclusion the Radio Officer was asked to supply the committee information that would give a "complete picture" of the USIS radio operation in Austria. The interview closed with the visitors asking him about the desirability of a 900-foot transmitter tower for Red-White-Red-Vienna as against a 400 or 450-foot tower. Mr. Skornia explained that the frequency being used was a shared one, that the power used could not be much increased beyond its present range, and that for this amount of power, the present tower was more than adequate. A 900-foot tower, were it possible even to establish one in the Vienna area, would produce little if any additional strength of signal.

The visitors then briefly conferred with Mr. Laurence P. Dalcher, the Information Officer, explaining that time did not permit them to explore more fully on the scene, and that they would like to have complete reports on the entire information operation sent to the Subcommittee.

Having stated a desire to inspect both the Soviet and American Information Centers, Messrs. Cohn and Schine were conducted to both by the Public Affairs Officer and Mr. E. Wilder Spaulding, the Cultural Affairs Officer. At the Soviet Center, they examined the library card catalogue closely, presumably to ascertain whether it contained titles by US authors. (It is known that the Soviet Center's library contains books by Agnes Smedley, Theodore Dreiser, Jack London, Upton Sinclair, and Mark Twain, among others.)

Proceeding to the US Information Center, Messrs. Cohn and Schine glanced into the various reading rooms and then examined the reference card catalogues. The Embassy escorting officers were not able to see what cards were being consulted, but the visitors appeared to be particularly interested in books on Far-Eastern affairs, and at one point stated that they were searching for any titles by one L. K. Rosinger.

Mr. Cohn then asked what titles had been removed from the USIS Vienna library as a result of the Department's directive of February 17.[3] It was explained to him that a thorough canvass of the collections had been made, but that since PAD had already in years past pursued a policy of periodically reviewing all matter on its library shelves, extremely little material falling under the terms of the new directive had been found. For example, a volume called *A Handbook to the U.N.* by Louis Dolivet had been removed, because of the author's subsequent political orientation; and a book on the Soviet ballet had been withdrawn, as had a few remaining copies of novels by Howard Fast. In response to Mr. Cohn's question as to whether books by three authors cited in a recent Department Circular (#976, dated March 25, 1953)[4] had been removed, he was told that no books by these had been present in the library. Mr. Cohn then inquired whether any further list of banned authors had been received from the Department; he was informed that the Embassy had not received such a list.

Turning to the periodical racks, Mr. Cohn asked whether the Vienna library carried the *American Legion Monthly*. He was told that it did not, that this was presumably because the publication was chiefly addressed to American veterans, the number of whom in Austria is not large enough to indicate sufficient potential interest in the publication to warrant its inclusion in the Center. He then asked whether the Center carried *The Freeman*. The escorting officers declared themselves unfamiliar with the magazine. At this point the examination of periodicals in the Vienna Center ended, and Mr. Cohn asked to be provided with a periodical list; the escorting officer agreed to forward the list requested.

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[3] For documentation on the various directives issued during 1953 concerning standards and criteria for books to be included in USIS libraries, see volume II.

[4] For text, see *ibid.*

Directly afterward, Messrs. Cohn and Schine met representatives of the US and Austrian press for their second press conference. On obtaining from the visitors the statement that in addition to consulting with US officials, they were holding meetings with other "contacts" including unnamed Austrians, several correspondents questioned the investigators as to the identity of these individuals and inquired whether the visitors were convinced that the procedure they had adapted was the best that could be devised for the purpose at hand. The reporters asked Messrs. Cohn and Schine whether they were confident that the time they were spending in Vienna was sufficient to permit of sound evaluation of the qualifications of their Austrian informants. They also asked whether, in view of the complex political currents in Austria, the investigators could be sure that their informants were not given to partisan judgment. One correspondent inquired into the investigators' own qualifications for assessing the effectiveness of an information program. Another correspondent, the representative of a U.S. wire service, took the occasion to voice personal disapproval of methods being pursued by the investigators.

In their responses to these questions, Messrs. Cohn and Schine stated that while they could divulge no names of local informants, they knew them to be highly qualified. Further, they said, the Subcommittee had closely studied the US information program in Austria before arriving here, and had the benefit of constant liaison with the State Department on the subject. "We are not trying to get a representative cross-section of Austrian opinion on the information program here," Mr. Cohn remarked; "we brought names of certain people from the States with whom we shall talk." In response to further questions, Mr. Cohn stated that the Subcommittee had found evidence of both mismanagement and disloyalty in USIS offices in other countries. Mr. Cohn stated that some persons now in Austria might be asked to testify before the Subcommittee, or that, instead, testimony might be taken from them here. In responding to a correspondent's question, he did not exclude the possibility that some of these persons might be Austrians.

Mr. Cohn then turned to the subject of USIS libraries, and cited testimony given before the Subcommittee to the effect that "among the 500-odd magazines these libraries carry, there just aren't any magazines fighting communism." The local correspondent of *Time* (which is represented in multiple copies in all USIS libraries in Austria) asked Mr. Cohn whether he did not regard *Time* as anticommunist. Mr. Cohn repeated the previous charge, and cited the absence of the *American Legion Monthly* from the racks. He also reiterated that American libraries should carry *The Freeman.*

A discussion arose over removals of books from US libraries, one correspondent asking why some writers of past communist sympathies who had since recanted should now be regarded as "heroes", while others who had also broken away but had not made public confessions should be proscribed. Except for praising the aid given to the US Government by such converts from communism as Whittaker Chambers and Louis Budenz, Messrs. Cohn and Schine declined to be drawn into a debate on the pros and cons of individual authors, and also declined to answer one correspondent's question as to whether the Department should now ban from its libraries any author who happened also to be represented in a Soviet library—"even Mark Twain".

On the following morning, Mr. Cohn paid a return visit to the US Information Center in the company of the Cultural Affairs Officer and the Center librarian. Again, he concentrated his attention on the reference catalogue, looking under the general headings "China" and "Communism." He wrote certain names and titles on a sheet which he took with him. He indicated neither approval nor disapproval, nor did he look at any of the books themselves.

Again, Mr. Cohn asked the Cultural Affairs Officer which books had been discarded in the light of the March 17 directive. The statement made at the Center the previous evening was recalled to him, and he was told that in addition, we had withdrawn a book by the historian W. E. Dubois, one by Agnes Smedley, and were examining a few other titles like those by the former communist, Freda Utley. When Mr. Cohn declared that Miss Utley was a "good" author, since she had recanted, Mr. Spaulding replied that this reaction showed exactly why he, Spaulding, did not wish to read off the names of the authors whom the Embassy was now checking on, pending final determination or the receipt of a definitive list from the Department itself.

Apart from the conversations summarized above and some incidental talks with the PAO and Press Officer between appointments, no contacts took place between the visitors and members of the Public Affairs Division.

Following his second visit to the Center, Mr. Cohn met in the Bristol Hotel lobby with Mr. Orville Transtrum, Director of the Administration Division, and Messrs. Trout and Supple of the Security Branch. (For their conversation, reference is made to Embassy Despatch #1744 dated April 14.[5])

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[5] *Ante*, p. 1444.

Finally, on the eve of his departure Mr. Cohn met briefly with Mr. Ben H. Thibodeaux, Counsellor for Economic Affairs. Their conversation will be the subject of a separate communication.[6]

For the High Commissioner:
WILLIAM HARLAN HALE
Public Affairs Officer

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[6] No record of such conversation has been found.

Editorial Note

On April 21, 1953, Ambassador Douglas Dillon at Paris wrote a brief note to Under Secretary of State Walter Bedell Smith discussing Cohn's and Schine's return visit to France. In the letter, Ambassador Dillon stated, in part, that "some information on budgets" was given to Cohn, and that he "was critical of the operation in Germany, particularly of the spending of money to finance overtly the publication of a newspaper." (711.52/4–2153)

USIA files, lot 56 D 581, "Foreign Press Reaction to Book Purge"

Extracts From the Foreign Broadcast Information Service[1]

GERMAN PRESS AND RADIO COMMENTS ON COHN AND SCHINE

4/22/53

Daily Radio and Television Digest covering Soviet and Soviet-controlled German-language broadcasts—April 9:

"Two officials of the McCarthy committee, touring Germany, expressed their ire over the sums being spent in Germany on the 'ineffective' US propaganda machine, particularly RIAS and *Neue Zeitung*. No names were mentioned."

IBS Summary April 12

"Bonn 4563, April 10 (Unclassified) (IBS)
Communist Radio Berlin quoted a statement by Cohn and Schine that millions are being wasted by the public. According to the Communist radio, they are disappointed that 'US war propaganda meets with opposition from the majority of German people'. They ascribe failure to *Neue Zeitung*, and RIAS."

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[1] The Foreign Broadcast Information Service was an agency of the National Technical Information Service of the Department of Commerce. FBIS prepared Daily Reports which were circulated to interested agencies and departments in the Federal government. Portions of these Daily Reports were classified, others were not. There is no indication on the source text which of the excerpts were classified.

The following is an excerpt from cable from Bonn of April 9 re "Main emphasis German press, April 9"

McCarthy Representatives Accuse Kaghan: He Rejects Accusation

Factually reported, frontpaged several papers. *Westdeutsche Neue Presse* noted accusations, Schine's, Cohn's activities gave rise "widespread indignation" American circles Germany, American Womens Club Munich representing 200 citizens sent Eisenhower protest letter.

Berlin press April 9:

Headlines "Kaghan defends himself." *Der Tag* frontpaged Mr. Kaghan, HICOG publication, rejected McCarthy investigators accusations of Communist tendencies.

Principal emphasis (East): . . .[2]

Asserted Mr. Kaghan (termed "scapegoat No. 1 for lack of success of American war-mongering") stated "did utmost bring forth war mood among Germans, supervised anti-Communist propaganda longer than two traveling snoopers been out of school."

Abendpost (Frankfurt) April 9, 1953

Confusion in the Hotel of McCarthy Agents

Employees of American Communist Hunter No. 1 gave the Bonn High Commission much to criticise. In American High Commission circles in Bonn, there are various feelings about the announced return of the two investigating officials of Senator McCarthy, U.S. Communist Hunter No. 1. The first impression of these two in Bonn was received by High Commission officials partly with humor and partly with annoyed disappointment. McCarthy's two chief investigators, Roy Cohn, 20, and Gerard Schine, 26, came to Bonn from Frankfurt at 11 o'clock on Sunday evening. On this same evening, they interviewed James Hoofnagle, a Public Affairs Officer, at the Hotel Adler in Bad Godesberg during the course of a dinner which lasted for more than two hours. The dinner cost more than $25. The two investigators said that they had come to Europe in order to study "waste and mismanagement in the American Information Program".

There are supposed to be books with Communistic tendencies in American libraries here. From HICOG circles, however, it was learned that "they did not ask a single question about costs and personnel".

The two investigators informed the personnel of the Public Affairs Office at the High Commission that they should be available Monday morning at the High Commission building shortly before 11 o'clock. Between 11 and 12:30, they had a conversation with Glenn Wolfe, Executive Director, and Samuel Reber, the Acting High Commissioner.

Wrong Trousers.

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[2] Ellipses throughout in the source text.

Then the event occurred which still is a main topic of conversation at the High Commission. At 12:30 Mr. Schine announced that he put on the wrong trousers that morning. A driver was sent to the hotel in order to pick up the right ones. Mr. Schine put them on and then discovered that his notebook was missing. He rushed back to the hotel with Mr. Cohn then in order to look for it.

In the hotel lobby, it was observed that Mr. Schine batted Mr. Cohn over the head with a rolled up magazine. Then both of them disappeared into Mr. Schine's room for five minutes. Later, the chambermaid found ash trays and their contents strewn throughout the room. The furniture was completely overturned.

After lunch, the two investigators interrogated the Deputy Chief of the MSA Special Mission in Bonn, Frank Miller. They asked him and others the following questions: "What are your goals?", "What is European Integration?", "What does Western orientation mean?"

Eight Page Book

Afterwards they had a press conference with American newspaper correspondents.

Mr. Cohn introduced Mr. Schine as a management expert.

Question: "What experience do you have in this area, Mr. Schine?"

Schine: "I have studied this field."

Cohn: "Mr. Schine has written a book about the definition of Communism."

Schine: "Yes, it just so happens that I have a couple of copies with me. Mr. Cohn is mentioned often in the text. He has played an important role in the prosecution of Communist leaders in the U.S."

It became evident that this "book" was an 8-page pamphlet that was published by Mr. Schine's hotel company and distributed by the same organization, whose president and business head is the same, 26-year-old Gerard Schine.

Cohn: "We have also questioned representatives of the German public."

He failed in this connection to state with whom they had spoken. Americans who had accompanied the two agents stated that they were the chauffeur, two hotel janitors and a barman.

In the 45 minutes that remained between the press conference and their departure by air for Berlin, Messrs. Cohn and Schine interviewed Elmer Lower, Chief of all Information Programs in Germany, Edmund Schechter, Chief of the Radio Branch of the U.S. High Commission and Theodore Kaghan, Acting Chief of the Office of Public Affairs, of which the Information Division is a part.

Berlin Whirlwind

They began their investigation in Berlin on Tuesday at 11:50 in the morning. They were not finished early enough, however, in order to take the regular American courier airplane to Frankfurt in the afternoon and so a special flight had to be arranged for them which, according to High Commission sources, cost $300.

Despite all this, the visit from Washington has provided an inexhaustible supply of material for satire in exactly the same way that Senator McCarthy's hunt for Communists and traitors actually appears in reality.

April 10—from Berlin:

Following is translation of DPA (German press agency) despatch appearing in today's *Der Kurier* (West Sector):

"Berlin—Two members of the anti-Communist McCarthy investigation committee of the American Senate, Roy Cohn and David Schine have accused the acting Director of the HICOG Information Services, Kaghan, of Communist tendencies.

"Kaghan, who is immediately responsible for the *Neue Zeitung*, RIAS, and the magazine *Der Monat* is said to have recently refused to undergo an examination concerning his political reliability. The accused man is said to have published a book in 1939 with 'obviously Communist tendencies'.

"Cohn and Schine told reporters they had telephoned Senator McCarthy Monday night (April 6). McCarthy is supposed to have made known that he regarded the matter as serious. It is to be assumed that Kaghan will be heard before the Senate Investigating Committee in America.

"The two representatives of the McCarthy Committee have been assigned to study the conduct of the American information and propaganda program. In Berlin they gathered information about the work of RIAS and the Amerika Haus. They also visited the House of Soviet Culture in the East Sector. According to their statements, Amerika Haeuser in Germany are to be examined and books by Communist authors removed. Cohn and Schine will give McCarthy a report on the effectiveness of the American information activity in regard to 'psychological warfare' and whether improprieties are to be traced to intention or stupidity."

Weekend Radio and Television digest covering Soviet and Soviet-controlled German-language broadcasts—Friday April 10 through Sunday, April 12:

"Senator McCarthy's representatives in Germany: Soviet Zones 'Berlin Hour' waxes extremely sarcastic over the trip to Germany of Messrs. Cohn and Schine, whom it describes as 'foaming at the mouth' with rage after they had visited the Soviet sector 'House of Culture' and compared its effectiveness with the US propaganda effort in Germany. The Communist radio uses some very uncomplimentary language about Senator McCarthy and his investigators, comparing the charges against Theodore Kaghan to the sort of action which precipitated the Forrestal suicide and alleging that they in reality represent an attempt to find a scapegoat in order to excuse the 'blatant failure' of US propaganda. 'This Kaghan, the big boss of RIAS and *Neue Zeitung*, declares that he was working against communism when these two were still in their diapers . . . They are also investigating the America Houses in order to make sure that their shelves carry no subversive literature. No doubt they will find some, such as the Bill of Rights and the American Constitution . . . !"

GERMAN PRESS AND RADIO COMMENTS ON COHN AND SCHINE

4/24/53

Excerpt from FBIS Report of April 21, 1953:

McCarthy's "Young Snoopers" Hurt U.S.

Editorial opinion of the West German press on topics of general interest.

Frankfurter Rundschau, in a critical comment on Sen. McCarthy entitled "Witch Hunt with Originality," stated it had withheld comment on McCarthy's activities until now because it believed that they were a purely internal matter and not a "political inquisition."

The paper asked whether McCarthy knew what immense damage his "young snoopers" had done to U.S. prestige abroad. "We do not think he has paid any attention to the likely result of such a visit or, what is worse, he does not even know what a huge democratic job American citizens and officials did in the first years of occupation in Germany.

It would have been well if McCarthy had experienced the days during which the American occupation authorities eliminated, without much ado, the fellow travelers, and if he had seen how the Federal Republic was built up as a bulwark against Communism with the help of the American fellow citizens whom he defames today on the ground that they have come to understand more of German and European affairs than he himself and his committee."

Listeners of the Voice of America and the innumerable users of U.S. libraries in Germany, *Frankfurter Rundschau* continued, shook with laughter upon learning that of all people Americans seized on the idea, generally practised only by their adversaries, to censor books suspected of Communist tendencies. The paper concluded by calling upon McCarthy to "spare both his fellow citizens and us such practices. We Germans know what freedom of opinion means from bitter experience—but also through those people whom McCarthy today attacks."

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 141st Meeting of the National Security Council on Tuesday, April 28, 1953[1]

TOP SECRET EYES ONLY

Present at the 141st meeting of the National Security Council were the President of the United States, presiding; the Vice President of the United States; the Secretary of State; the Acting Secretary of Defense; and the Director for Mutual Security. Also present were the Secretary of the Treasury; the Director of Defense Mobilization; General Vandenberg for the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; Mr. Robert Cutler, Special Assistant to the President; Mr. C. D. Jackson, Special Assistant to the President; Major General Wilton B. Persons, USA (Ret.), Special Assistant to the President; Colonel Paul T. Carroll, Military Liaison Officer; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

There follows a general account of the main positions taken and the chief points made at this meeting.

[Here follow agenda items 1–6: "Developments at Recent NATO Conference," "The Situation in Indochina," "United States Objectives and Courses of Action With Respect to Formosa and the National Government of China," "Latin America," "National Security Policies in Relation to Cost," and "The President's Address to the American Society of Newspaper Editors".]

At the conclusion of the discussion Mr. Cutler stated that he had a matter to call to the Council's attention, although it was not, strictly speaking, NSC business. He stated that the day before yesterday a telephone call had been received from an individual in Senator McCarthy's office. This individual had inquired whether the Council had a "civilian advisory board" and whether, as he had been informed in an anonymous telephone call, the members of this board had been given access to classified security information without the proper clearances, and in particular, whether a certain . . . had been a member of this board. The anonymous telephone caller had stated that . . . was unfit to have access to such security information, owing to certain personal weaknesses. Mr. Cutler then read a letter which he proposed to send to Senator McCarthy in reply to this inquiry.[2]

Immediately upon conclusion of Mr. Cutler's recitation, the President stated his strong objections as a matter of principle to sending any such letter or any letter whatsoever to Senator McCarthy. What went on in the National Security Council and what advice the President sought from consultants to the National Security Council was solely the President's business and the President's responsibility. If Senator McCarthy proposed to take on the National Security Council, he was taking on the President. Accordingly, Mr. Cutler was to do no more than to make a telephone call to Senator McCarthy explaining the President's position on this matter.

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[1] Drafted on Apr. 29 by Deputy Executive Secretary of the NSC S. Everett Gleason.

[2] No copy of the letter has been found.

[Attachment]

Memorandum by the Special Assistant to the President for National Security Affairs (Cutler)[3]

[WASHINGTON,] April 30, 1953.

Memorandum re Senator McCarthy

1. The facts relative to the inquiry made by Mr. Surine, of Senator McCarthy's office, are contained in Mr. Coyne's memo to Mr. Lay, April 27/53.[4]

2. Thereafter, a proposed draft letter for me to send Senator McCarthy was prepared, dated April 27/53.

3. On April 28/53 I spoke to the President and the National Security Council relative to the telephone call made to Mr. Surine of Senator McCarthy's office and read the proposed letter which had been drafted for me to sign and send to Senator McCarthy.

The President entirely rejected the idea of writing a letter and making an explanation such as was contained in the drafted letter. The Council agreed with the President.

The President wished me to telephone Senator McCarthy and say that the National Security Council is advisory to the President; that any civilians whom the President calls upon as Consultants for the Council are responsible to the President and he sees to their being checked and cleared; that the President uses the agencies of the Government to assist him in such checking and clearance.

4. I telephoned Senator McCarthy's office at 1:30 PM and at 6 PM on April 28 and at 11 AM and at 2 PM on April 29. He was always out. He telephoned me back at 4:50 PM on April 29.

5. I told Senator McCarthy that I was calling because Mr. Surine had called the NSC office about civilian advisers to the NSC; that I

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[3] Copies to NSC Executive Secretary James S. Lay, Jr. and J. Patrick Coyne, NSC Representative on Internal Security.

[4] Not found.

had talked to the President and was calling him at the President's instructions; that the President had personally requested seven citizens to serve as Consultants to the NSC in March; that they had served (identifying them and their occupations) for 2–3 weeks; that the matter of their security clearance and checking was the President's responsibility; that he used the agencies of government in checking and clearing them. The Senator said he knew nothing about the matter; said he would tell Surine of my call. He seemed to have no interest in the matter or in pursuing it; gave me the impression that this was a routine check by one of his office staff. He was very friendly in tone and conversation. I inquired for his health, as he had been very poorly when I last saw him, just before we went into Wisconsin during the campaign. He recalled the meeting, seemed very clearly to remember me, called me "General", and ended up by inviting me "sometime to come and have that glass of beer we talked about" (at Peoria, I suppose).

6. I reported to the President that I had carried out his instructions and told Mr. Coyne, if Mr. Surine called again to say that at the President's direction I had talked with the Senator.

ROBERT CUTLER

033.1100 McCarthy, Joseph R./5-1353

The Ambassador in Cuba (Beaulac) to the Department of State

CONFIDENTIAL HAVANA, May 13, 1953.

No. 1770

Subject: Visit of Senator McCarthy to Habana

On May 10 and 11 Senator Joseph R. McCarthy of Wisconsin made a brief visit to Habana. He was accompanied by Roy Marcus Cohn, counsel for the Senate Permanent Investigating Subcommittee; David Schine, consultant on the information program of the Subcommittee; Richard J. O'Melia of the Senate Committee on Government Operations, and Mrs. O'Melia. During the course of the stay of the group in Habana, Mr. Cohn visited the USIS office. In the absence on official business of the Public Affairs Officer, he was received by Mr. Richard G. Cushing, Information Officer, who prepared the attached memorandum on Mr. Cohn's visit.

There is also transmitted herewith a clipping of the column of Mr. Edward Scott from the *Havana Post* of May 12, 1953, concerning Senator McCarthy's stay in Habana.[1]

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[1] Not printed.

Mr. Ben Meyer, Associated Press bureau chief in Habana, informed the Embassy's Information Officer that Senator McCarthy revealed to him confidentially that he had seen President Batista but declined to say what was discussed. Meyer also reported that McCarthy had talked with "several friends of the President." McCarthy told the Associated Press representative that his trip was chiefly for pleasure but that he thought it opportune to look into "a few minor items of business" in Cuba. Senator McCarthy did not elaborate on this point.

Senator McCarthy and his party left Habana by plane around 3:40 p.m. on May 11. The duration of their stay was approximately 24 hours.

For the Ambassador:
JACOB CANTER
Public Affairs Officer

[Attachment]

Memorandum by the Information Officer at the Embassy in Cuba (Cushing) to the Public Affairs Officer at the Embassy in Cuba (Canter)

CONFIDENTIAL HAVANA, May 12, 1953.

Subj: Visit to USIS-Habana of Mr. Roy Marcus Cohn

Mr. Cohn, who served as a special representative of Senator Joseph R. McCarthy on a recent study of the USIS in Europe, visited the office of USIS-Habana the afternoon of May 11. Mr. Cohn arrived around 2:45 p.m. in company with a Mr. and Mrs. Richard O'Melia. Mr. O'Melia has been described as a top investigator for Senator McCarthy's Committee on Un-American Activities.

Obviously in a great hurry, Mr. Cohn asked me a few questions (in the brief absence of the PAO) about the USIS operation, and left after a visit of no more than six minutes. Mr. O'Melia asked just one question—the amount of our operating expenses. The party went directly to the airport from the Embassy. They all, including Senator McCarthy, left Habana around 3:40, having spent just 24 hours in Cuba.

Mr. Cohn asked me about the following:

1. The Bi-National Center. He actually came in looking for the "USIS library" but was told that there is no library as such connected with the Embassy but rather one at the Bi-National Center. I explained to him how the Bi-National Center in Cuba is unique. He expressed no desire to visit it. He asked, however, what was being done about taking books by Communist authors off the

shelves, and rather than launch into a detailed explanation of the difficulties involved in dealing with an institution almost 100 per cent Cuban, I merely told him "we are working on that now." That seemed to please him.

2. Communists in Cuba. I told him that communism appears to be more or less contained at present under Batista although it always could come up strong and for that reason I thought a continuing program an essential. I explained to him that the Communists have their own newspaper and magazine but seem to have certain financial difficulties and constitute, by no means, the vociferous party they do in many Latin American countries.

3. USIS Motion Pictures. He asked what kind of films we send out and how. I gave him a brief explanation of how films which offer, or teach, something are most valuable, and that we use not only mobile units but our own contracted projectionists and also maintain a large loan system for films.

4. Press. He asked what use we make of IPS material. I told him that feature stories, non-competitive with the wire services, were most effective, along with photographs and by-line columns. I offered to show him clips of our material, but he seemed uninterested in pursuing this line further.

5. The Voice of America. Mr. Cohn asked if the VOA is "any good down here." I replied that, frankly, I thought it had a limited number of listeners, and those perhaps not precisely the ones we like to reach. Also, that local programming would be much more effective. He said that seems to be the consensus at all posts.

Mr. Cohn gazed absently out the window during most of the questioning and took no notes. He appeared to be little interested in the answers, and to have a stock supply of routine questions. He consented to a quick tour through the USIS shop only after considerable persuasion.

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 153d Meeting of the National Security Council on Thursday, July 9, 1953[1]

TOP SECRET EYES ONLY

The following were present at the 153rd meeting of the Council: The President of the United States, Presiding; the Vice President of the United States; the Secretary of State; the Secretary of Defense; the Deputy Director for Mutual Security; the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Chairman, Federal Communications Commission (for Item 1); General Collins for the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; Robert Cutler, Special Assistant to the President; C. D. Jackson, Special Assistant to the President; Colonel Paul T. Carroll, Acting White House Staff Secretary; Ralph Clark, Central Intelligence Agency (for Item 1); Commander Perry Johnson, USN, Central Intelligence Agency (for Item 1); J. J. Hitchcock, Central Intelligence Agency (for Items 1 and 2); the Acting Executive Secretary, NSC: and Hugh D. Farley, NSC Special Staff Member.

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[1] Drafted on July 10 by the Acting Executive Secretary of the NSC S. Everett Gleason.

There follows a summary of the discussion at the meeting and the main points taken.

[Here follow agenda items 1-8: "Electro-Magnetic Communications," "Significant World Developments Affecting U.S. Security," "The Situation in Korea," "United States Objectives and Policies with Respect to the Near East," "Security of Strategically Important Industrial Operations in Foreign Countries," "Possibilities of Reducing U.S. Civilian Population in Sensitive Areas Abroad," "Continental Defense," and "Volunteer Freedom Corps."]

9. Foreign Reactions to Administration Policies

The President then informed the Council that he was much disturbed and concerned that so many of our allies seemed frightened of what they imagine the United States Government is up to. It is a sad fact, said the President, that every returning traveller whom he talked to stated that the people of Europe were vastly confused about the objectives and programs of the Republican Administration. The name of McCarthy was on everyone's lips and he was constantly compared to Adolf Hitler. How, asked the President, could we combat the notion that the Republican Party was isolationist and irresponsible? He hoped that Mr. C. D. Jackson would give the most careful thought to ways and means by which we could restore the waning faith in our good will among our friends.

Secretary Dulles expressed hearty agreement with the view expressed by the President, and said that many European leaders seemed to believe that we were moving into an American fascism, under McCarthy as a leader.

The President inquired as to whether any use could be made of the covert radio to attack and ridicule McCarthy.

Thereafter the discussion centered on the problem of Senator McCarthy from a domestic rather than a national security point of view.

The National Security Council:

Noted the President's concern about current reports regarding uneasiness in friendly foreign countries as to the objectives and purposes of the Administration.

[Here follows agenda item 10, a one-sentence notation of the status of NSC projects as of July 6, 1953.]

Secretary's Letters, lot 56 D 459, "President"

Memorandum by the Secretary of State to the President

[WASHINGTON,] July 23, 1953.

Subject: Attitude toward U.S. Foreign Policy

I read the Dutch editorial given you by former Ambassador Cowen. It reflects a bewilderment about our foreign policy which, unfortunately, is rather prevalent in Europe and indeed in much of the world. It results, I think, from these facts:

For twenty years, foreigners have been taught to fear a Republican Administration as "isolationist". They know that you and I are not "isolationists" but they do not think we can counter the trend of the Party.

Our policies do involve considerably reduced U.S. expenditures abroad, and the Congress, primarily the Republicans, are cutting back that program. This seems, to foreigners, to confirm their fears that U.S. policy is moving toward "isolationism".

In Congress there comes to the forefront persons such as Taft and McCarthy, who have long been known as "isolationists", and others, such as Knowland, who are believed to want to have general war in Asia against Red China.

Most of the columnists and specialty writers here are skeptical about our policies, and this is widely reflected abroad.

I believe that our new policies, once we get them firmed up, with Congressional backing, will come to command widespread respect. The critical period is the weeks ahead when we make up the first "Eisenhower" budget and the policies it is designed to implement.

A transition-period uncertainty was inevitable. We ought to make this as brief as possible and do all we can to reestablish confidence. I can assure you that we are working toward that end. But it is "deeds not words" that count.

JOHN FOSTER DULLES

611.00/7-2353 : Circular telegram

The Secretary of State to Certain Diplomatic Missions [1]

SECRET WASHINGTON, July 23, 1953—7:07 p.m.

53. Eyes only for Chief of Mission. We have been disturbed by recent reports from various sources both official and unofficial, indicating possible confusion on part of our allies as to US policy and perhaps lessening of confidence in US leadership. While change of administration was bound to bring with it certain period of uncertainty for other governments, we are concerned lest misinterpretations of US motives and actions during past six months may have arisen and contributed to situation in which US prestige suffers and attainment of our policy objectives hampered.

Would therefore appreciate your frank confidential estimate and views on how US is regarded both by government and public in country to which you are accredited. Some questions in which we are particularly interested include: Is there mistrust of US motives underlying policy towards USSR; has there been lessening of confidence in US intentions adequately to support its allies both individually and collectively in measures designed strengthen free world security; is there feeling that US is not living up to leadership responsibilities; have US domestic political events influenced attitude toward US leadership?

In light your comments on above and related questions which may come to mind, what major factors, in your opinion, should be borne in mind over coming months in determining U.S. lines of action?

Reply by airgram.

DULLES

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[1] Drafted by William J. Galloway, Special Assistant to the Counselor of the Department of State, and cleared with the Secretary of State and approved for transmission by the Counselor, Douglas MacArthur II. Sent to 11 European posts and Ankara and Ottawa. A summary of the replies to this telegram is contained in the memorandum by Merchant, dated Aug. 24, 1953, p. 1468.

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 157th Meeting of the National Security Council on Thursday, July 30, 1953[1]

TOP SECRET EYES ONLY

The following were present at the 157th meeting of the National Security Council: The President of the United States, presiding (except for the first part of Item 1, which was presided over by the Vice President); the Vice President of the United States; the Secretary of State; the Secretary of Defense; the Director for Mutual Security; the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Attorney General; the Secretary of Commerce (for Item 1); the Assistant Secretary of Commerce (for Item 1); the Director, Bureau of the Budget; the Chairman, Atomic Energy Commission (for Item 5); the Federal Civil Defense Administrator (for Item 5); Robert R. Bowie, Department of State (for Item 5); Walter S. DeLany, Office of the Director for Mutual Security (for Item 1); Kenneth R. Hansen, Economic Defense Advisory Committee (for Item 1); the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; Robert Cutler, Special Assistant to the President; C. D. Jackson, Special Assistant to the President; Col. Paul T. Carroll, Acting White House Staff Secretary; the Executive Secretary, NSC; Marion W. Boggs, Coordinator, NSC Planning Board Assistants.

There follows a summary of the discussion at the meeting and the chief points taken.

[Here follow agenda items 1-3: "Economic Defense," "Significant World Developments Affecting U.S. Security," and "Report by the President's Committee on International Information Activities, Dated June 30, 1953."]

4. *Reported Decline in U.S. Prestige Abroad*

Mr. Cutler read a memorandum which reported on the remarks made by the Vice President during the Solarium presentation,[2] to the effect that U.S. prestige in the world was lower now than ever before. The Vice President had expressed concern that U.S. prestige should be so low despite the large amounts of assistance now being furnished other nations, and suggested that the causes of this situation should be inquired into and a report made to the Council with recommendations. Mr. Cutler accordingly suggested that the

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[1] Drafted on July 31 by Marion W. Boggs, Coordinator of the NSC Board of Assistants.

[2] For documentation on Project Solarium, the review of national security policy undertaken during the summer of 1953, see volume II.

Psychological Strategy Board be directed to undertake a study of the problem and submit a report to the Council.

Secretary Dulles said the Department of State had recently sent a circular telegram to all missions abroad, asking for a report on this very question.[3] He suggested these reports should be used in consideration of the subject.

The Vice President said an increasing number of people had returned from aboard and emphasized the decline in U.S. prestige.[4] The implication was that this Administration was responsible for the situation. The Vice President realized that McCarthyism was an issue abroad, but doubted that this alone was responsible for our low prestige. He added that in some areas, however—for example, the Near East—we had gained prestige.

Mr. C. D. Jackson said the PSB would be delighted to undertake a study of this problem. If the Council wished a preview of the study, he would predict that it would show that U.S. prestige abroad is very low now and that the Number One reason for this situation is McCarthyism.

Secretary Dulles felt the reason was more fundamental. In his view, the Democratic Administration had been telling other countries for twenty years that the Republicans were isolationists. Since January 20th a few developments of minor importance had tended to confirm this Democratic propaganda in the minds of people abroad. He felt, however, that when foreign countries come to appreciate fully the policies of this Administration, they will realize these policies are sounder than the old policies. He believed Western Europe was the area of low U.S. prestige.

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[3] Circular telegram 53, *supra.*

[4] In an oral history interview in 1973, Dean Francis Wilcox, former chief of the staff of the Senate Foreign Relations Committee and Assistant Secretary of State was asked about the Foreign Relations Committee's main concerns during the early Eisenhower period. He replied: "Certainly one of the great preoccupations on Capitol Hill was the McCarthy problem. This had its impact of course both at home and abroad in the field of foreign policy. It had its impact in the Department of State, in the United Nations, and as I recall Senator Smith of New Jersey and I took a trip to Asia at the request of Secretary Dulles, in order to report to him on the situation in Asia as we found it, and I must say that everywhere we went we had strong representations made to us about the McCarthy situation. When was somebody going to do something about it? Why did we let him go as he did, to do the things he did, to spread terror and confusion in this country and abroad? Our allies simply couldn't understand why a man like McCarthy was allowed to exercise the influence that he apparently was exercising. When we came back from Asia, Senator Smith and I went to see the President and expressed our great concern at what was happening here, and the President nodded his head. He said yes, he knew, he had reports from abroad and these reports verified what we were saying to him, that our allies were very much concerned about McCarthyism and hoped that someone would do something relatively soon. But he said, 'Gentlemen, I refuse to get down in the gutter and fight with Senator McCarthy. I think that this is something that the Senate should and must do, and I think that it would only be degrading to the office of the President of the United States for me to engage in combat with a person like Senator McCarthy'" (Columbia Program in Oral History, Interview with Dean Francis Wilcox, 1973).

The President said Americans go to Europe, which is expert in telling us what we do wrong, and then come back as experts on European opinion.

Mr. Stassen said that Communist tactics entered into the problem. He felt it was a deliberate Communist policy to tell every American who went to Europe that American prestige was very low there.

The National Security Council:

Directed the Psychological Strategy Board to prepare for Council consideration before mid-September a study of the reported decline in U.S. prestige abroad, with particular reference to the following questions:

a. When did the decline in prestige commence?

b. What were major causes which contributed to the decline, and their relative importance?

c. When did our prestige reach its lowest ebb?

d. Has our prestige in the world undergone any significant change in the last six months?

e. What action should the U.S. take to improve the existing situation?

Note: The above action subsequently referred to the Psychological Strategy Board for implementation.

[Here follow agenda items 5–7: "Project Solarium," "Armaments and American Policy," and "United States Policy on Soviet and Satellite Defectors."]

611.40/8–24

Memorandum by the Assistant Secretary of State for European Affairs (Merchant) to the Secretary of State [1]

SECRET WASHINGTON, August 24, 1953.

Subject: European Attitudes Toward the United States

Discussion

Complete replies have now been received from our European mission chiefs in response to circular telegram 53 of July 23,[2] requesting their analysis of current European attitudes about the United States. While the replies vary considerably, most of them indicate growing resentment in Europe toward American policies and actions, and declining American popularity and prestige. The major causes of this unfavorable trend, as cited, are: (1) "McCarthyism"; (2) fear that United States policies toward the Communist world will be too inflexible to take advantage of opportunities for a relaxation of tension; (3) uncertainty about the efficacy and consistency of American policies and prospects of public and Congressional support for the Administration's program; (4) suspicion that America's interest in Europe is lessening; (5) resentment of pressures and criticisms from the United States; (6) fear that American economic policies (foreign aid, US tariffs and restrictions, East-West trade) will frustrate Europe's search for economic health. The Mission Chiefs have also submitted a number of recommendations for dealing with these problems.

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[1] Drafted by William T. Nunley, Public Affairs Adviser in the Office of European Regional Affairs.

[2] *Ante*, p. 1465.

Of the sizable volume of material contained in the reports, I believe certain portions are worthy of your special attention. Among these I would include:

a. Ambassador Dillon's covering summary of the report on France (Paris despatch 469); *Tab A* [3]

b. Ambassador Aldrich's report (London's despatch 699); *Tab B* [4]

c. Part 2 and Part 5 of Ambassador Hughes' report on NATO relationships (Polto A-84, pages 3,4,5,8,9, and 10); *Tab C* pp. 3-5; *Tab D* pp. 8-10 [5]

d. The last section (pages 5 and 6 of Copenhagen's despatch 120); *Tab E* [6]

e. The conclusion of Ambassador Luce's report (Rome's despatch 357); *Tab F* [7] Also attached for possible reading is an Analytical Summary of the replies; *Tab G*

Recommendation

That you attempt to find time to read personally the materials (*Tabs A-F*) described above, and that you consider bringing these materials to the attention of the President.

[Tab G]

Draft Memorandum Prepared in the Bureau of European Affairs

TOP SECRET [WASHINGTON, undated.]

Subject: European attitudes toward the United States

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[3] Despatch 469 from Paris, dated Aug. 4, 1953, is printed in volume VI.

[4] Despatch 699 from London, dated Aug. 12, 1953, is printed *ibid.*

[5] Not found.

[6] Despatch 120 from Copenhagen, dated July 28, 1953, is printed in volume VI.

[7] Despatch 357 from Rome, dated Aug. 7, 1953, is printed *ibid.*

The purpose of this paper is to present an analytical summary of the responses of United States Mission Chiefs in Europe to Circular telegram 53 of July 23, which requested their appraisal of current European public and governmental attitudes toward the United States.

General Situation

At the present time there are certain serious divergences between American and European attitudes. During the last year, the trend of European attitudes has been distinctly unfavorable to the United States interests and objectives.

This trend varies considerably among different countries, and there are several countries in which no perceptible change in governmental and public attitudes has been found. Taking Europe as a whole, however, there is evidence of declining confidence in United States leadership, growing resentment against American policies and actions and a decrease in American popularity and prestige.

There is no evidence that the immediate situation is desperate or that the present trend of European attitudes is irreversible. The basic amity existing between the United States and Europe is deeply rooted in numerous common interests. By broad historical standards, United States prestige remains near its peak. There is a vast reservoir of good will and admiration for the United States among the majority of the population of free Europe. The personal popularity of President Eisenhower, in particular, is very high. While there is some suspicion of United States motives in certain quarters, most Europeans do not seem to mistrust our basic intentions and motivations. Rather, they seem primarily concerned about the ability of American statesmen, operating within the political, constitutional and psychological complex of American society, to translate their motives into concrete and realistic policies and programs which will serve the mutual interests of Europe and the United States.

The sources of European doubts, fears and antagonisms relating to the United States are varied. Some are natural and inevitable products of different cultural systems and different national interests. For example, the European stereotype of United States political immaturity, Europe's desire for maximum independence of action, and the latent European jealousy of United States wealth and power are fundamental psychological conditions which have long existed. Other negative attitudes, however, seem directly related to recent events.

Significant Attitudes Unfavorable to the United States

Current European sentiments toward the United States are compounded of a hodge-podge of intermingled attitudes and interests, often irrational and sometimes contradictory. It appears that no generalizations about these attitudes would be fully applicable to all the countries included in the present survey. In certain countries, views about the United States are conditioned by local issues and circumstances, such as the Trieste question in Italy, French sensitivity concerning America's anticolonialism doctrine as it relates to North Africa, and the bitterness of German Social Democrats over what they consider America's active assistance to Adenauer's election campaign. However, the responses of our Chiefs of Mission indicate that there are certain general attitudes which cross national lines, some of them prevailing throughout free Europe. The most significant of these are as follows:

1. Virtually all segments of European society share a pervading fear that American policies and actions will eventually result in an all-out war with the Soviet bloc, or in an indefinite prolongation of the "cold war".

Most Europeans are fully convinced that a war between the East and the West would be synonymous with the destruction of Europe, regardless of the eventual victor of such a war. Therefore, they are extremely sensitive to any action or development which, in their opinion, increases the risks of war or obstructs the relaxation of international tensions. It is difficult to exaggerate the profound yearning of the Europeans for a reduction of international tension. There is considerable doubt in European minds that the United States Government will be able, in light of American public attitudes, to seize and exploit promising opportunities for improving relations between the East and the West.

Few Europeans believe that the United States wants war or that we would willingly prolong East-West tension. However, after many years of war and crisis, Europeans are inclined to wishful thinking about the Soviet threat and are responding, in part unconsciously, to the Soviet "peace offensive". Concurrent with this reaction to Soviet gestures, the fear is growing that United States policies will not be sufficiently flexible to put Soviet peace moves to a fair test. While President Eisenhower's April 16 speech was favorably received throughout Europe, Europeans have interpreted other American statements and actions, including our continued emphasis on the undiminished Soviet threat, as evidence of strong reluctance to alter present policies.

Many Europeans are especially fearful that the policy of "rolling back the iron curtain" involves a substantially increased risk for European security. Since it is widely believed that the liberation of Soviet-dominated areas can be accomplished only by military victory over Russia, Europeans fear that a United States commitment to the policy of liberation means eventual war.

While some of the earlier fears aroused by the "containment vs. liberation" argument have now been allayed, many Europeans remain fearful that United States policies toward China and Eastern Europe will indefinitely prevent the United States from finding a basis for a negotiated settlement of differences with the Soviet Union. The hesitancy of the United States Government to endorse Prime Minister Churchill's original proposals for four-power talks, and the criticism with which United States officialdom has greeted successive moves of the Soviet "peace offensive", have gravely disturbed the large body of Europeans who are anxious that no stone be left unturned in the search for peace.

2. Europeans have always been inclined to regard the American people as politically immature and, in particular, to believe that we take a naive and unrealistic approach to the problem of Communism. At present, there is a strong feeling that the United States is suffering from an acute attack of anti-Communist hysteria. This feeling is found even among political sophisticates. Many less enlightened citizens, with memories of Hitler still undimmed, fear that the violent United States reaction to the Communist menace is pushing the United States down the road to fascism.

Several of our Mission Chiefs report that the domestic political phenomenon known as "McCarthyism" has done more to weaken American prestige and tarnish American leadership than any other single development. In this sense, "McCarthyism" not only applies to the activities of Senator McCarthy himself, but to all other indications that the United States Government and its people are intolerant of non-conformity and are motivated by fierce and irresponsible hatred of Communism. It is reported that the controversy over United States libraries abroad has made the American Government appear ridiculous and childish in foreign eyes, and that "star chamber" congressional investigations have raised grave questions about the internal political health of the nation to which other free peoples have looked for leadership. In brief, "McCarthyism" has become synonymous with neo-fascism in European minds, and is regarded by some European leaders as Communism's greatest present asset in Europe.

It is evident that the political influence of Senator McCarthy himself has been distorted and exaggerated, and that "McCarthyism" has provided an extremely effective propaganda theme for the Communists and crypto-Communists. The effects of "McCarthyism" are particularly serious among European Socialists and other non-Communist leftists who fear that American thinking tends to "lump together" Communism, Socialism and all other unorthodox philosophies. In conjunction with obvious and energetic Soviet efforts to revive a "popular front" spirit among European leftists, it is possible that "McCarthyism" will alienate a vital segment of European public opinion and thereby diminish the prospects of maintaining middle-of-the-road coalition governments sympathetic to American objectives and interests.

3. It was to be expected that the advent of a new Administration would produce many uncertainties in European minds as to the future course of United States policy. On the whole, it appears that these uncertainties are not so great today as they were six months ago. However, lacking a full understanding of the inner workings of the American political system, many Europeans have been disturbed about reported conflicts between the Executive Branch and the Congress, and some are disappointed at what they regard as "weakness" in the Administration's leadership.

It is difficult for Europeans to understand how basic American policies can be attacked in public speeches by congressional leaders of the President's party. This lack of understanding produces doubts as to the Administration's ability to obtain acceptance and support of its policies. While it appears that most Europeans have great respect for the President's motives and opinions and welcome any direct assertion of presidential leadership, many feel that the President's leadership has not yet been sufficiently manifest.

This viewpoint bears a direct relation to the European attitude toward "McCarthyism". While governmental leaders and other well-educated persons make a clear distinction between "McCarthyism" and the position of the United States Government, even these individuals frequently ask why the President does not denounce the Senator publicly.

4. Europeans are disturbed by what they regard as inconsistency and lack of realism in certain major United States policies.

European governmental leaders find it difficult to reconcile the judgment of United States military leaders that minimum NATO military requirements are much greater than the forces now available with the decision of the United States Government to reduce its national defense and mutual security appropriations.

While most Europeans seem to agree in principle, or at least pay lip service to the principle, that strategic trade with the Soviet bloc should be controlled, they feel that the United States has gone too far in trying to stop trade in non-strategic goods. Congressional investigations concerning trade with China aroused considerable European criticism. Europeans believe that the United States is highly inconsistent and unrealistic in pressing for reduced trade with the Soviet bloc while taking no effective measures to open United States markets to European products.

Most of the people and statesmen of Europe disagree fundamentally with America's Far Eastern policies and consider our attitude toward Communist China wholly unrealistic. Few Europeans favor support of Chiang Kai-shek. Many are convinced that there can be no realistic basis for a successful negotiation of differences in the Far East until the United States modifies its policies toward Communist China.

With regard to the USSR, Europeans are inclined to believe that the United States over-emphasized the military aspect of the struggle against Communism at the expense of the political and economic aspects. There is a widely-held conviction in Europe that direct Soviet aggression in Europe is unlikely and that the "cold war" will eventually be decided on political and economic grounds. In countries where the internal power of Communism is strong, such as Italy, the provision of large sums of United States aid in the form of military assistance, accompanied by insignificant grants of economic aid, is sometimes interpreted as a "cart-before-the-horse" approach to the over-all problem of European security.

Europeans also see an apparent inconsistency between Secretary Dulles' call for a "long term approach" to NATO defense planning and the recent demands of prominent Congressional leaders that all United States aid be terminated in 1954.

5. Second only to their deep dread of war is the persistent concern of Europeans about the stability and health of their economies. To a far greater extent than the United States, Europe's economic health is dependent upon international developments. At the present time, it is evident that the burdens of rearmament, the chronic dollar shortage, inflation, high taxes, a levelling-off of production, and a stagnation of living standards at the 1950 level, have all combined to revive among many Europeans a sense of hopelessness bordering on the despair which they felt in the early post-war period.

While Europeans regard the NATO armament program as a major source of economic strain, there is no evidence that they attribute their economic ills directly to the United States. However, a large number of Europeans are convinced that European economic health can be attained only through the leadership and active cooperation of the United States. For this reason, they are deeply concerned about the state of the American economy and about America's foreign economic policies.

It seems axiomatic to Europeans that they cannot simultaneously maintain strong military defenses, accept decreasing amounts of United States aid, limit trade with the Soviet bloc, and depend upon existing commercial relations with the United States. In certain countries, United States economic assistance is considered to be the only possible solution to their continuing economic problems. The Greeks and Turks, for example, feel that they cannot possibly maintain the present level of military strength without substantial United States aid, regardless of other economic developments. The French are equally convinced that they cannot continue the war in Indo-China without increased aid.

Other countries believe that substantially increased access to American markets would compensate for the loss of United States aid, and have enthusiastically welcomed the slogan of "Trade not Aid". However, many of these people are disappointed in the failure of the United States Government thus far to take concrete measures to permit greater exports to the United States. Since cuts in aid have preceded significant revisions of American trade policies, Europeans fear that the United States may be adopting a "no-trade, no-aid" policy which would make their economic position impossible.

There is much evidence that the Europeans find continued United States economic aid psychologically galling. In fact, it is probable that the aid program has contributed substantially to European resentments against the United States. Direct military assistance is less disturbing, since Europeans regard deliveries of military end-items as a reasonable and natural American contribution to a common program. In any event, despite the unpleasant features of American aid, most Europeans are convinced that such aid is necessary unless and until there is a sweeping liberalization of United States trade policies, and Europeans are rather gloomy about the prospects that these policies will be liberalized sufficiently to compensate for announced cuts in aid.

6. The Europeans are keenly sensitive to any and all indications that American interest in Europe may be lessening. It is feared that increased American interest in Asiatic problems may not be in addition to, but rather at the expense of, continued interest in Europe.

Cuts in United States assistance to Europe, in addition to direct economic effects, have indirectly disturbed Europeans as an indication that United States interest in Europe is waning.

To those Europeans who have traditionally associated the Republican Party with isolationism, every indication of a slackening United States interest in Europe is a cause for alarm. Some Europeans are inclined to distort the significance of relatively minor events, such as official appointments. There is a persistent fear that the United States will eventually "withdraw" from Europe, and this fear has a considerable negative influence on European attitudes toward internal European problems such as the EDC.

7. Paradoxically, many of the same people who fear a decrease in American interest in Europe also fear United States "domination" of Europe. There is considerable resentment of incessant United

States pressures on such matters as rearmament, bases, unification, East-West trade, etc. While recognizing their dependence on the United States and demanding "stronger United States leadership", Europeans simultaneously desire to retain maximum political, cultural and economic independence and resent slights to their sovereignty or actions which they interpret as interference in their internal affairs. Communist propaganda that the United States seeks to reduce the European nations to the status of satellites often falls on fertile ground.

8. Europeans are disturbed by what they interpret as tendencies toward unilateralism on the part of the United States Government. Many Europeans feel that the United States does not regard NATO as a true partnership of equals and will not accept a genuine partnership relation—that we wish to devise the rules of the game but will not play by them. United States pressures on other governments to accept elaborate questionnaires for the NATO Annual Review, accompanied by United States delay in answering such questionnaires, has been cited as an example of this tendency. Moreover, it is clear that the United States is held chiefly responsible for NATO's failure to develop greater cooperation in non-military activities under Article II of the North Atlantic Treaty.

NATO governmental leaders make frequent reference to the importance of full consultation on important policy matters among the NATO governments. It is evident that several of these government leaders believe the United States has failed to consult its partners on matters of vital concern before establishing its own firm and irreversible position on such matters. Any United States action in the international sphere which is taken without consultation with, or without full regard for, allied interests, is likely to be interpreted not only as an injury to allied sovereignty but also as a tendency on the part of the United States to "go it alone".

9. A number of Europeans are disturbed by the heavy volume of criticism of European countries emanating from members of the Congress and from the American press. Repeated statements that the Europeans "won't fight", that they are "soft" on Communism, that they are loafing on the job, that they won't pay their taxes, etc., have created bitter resentment in Europe. While these criticisms apparently are not directly associated with the Administration, Europeans have gained the impression that the American people are not getting the real facts and are consequently dissatisfied and disgusted with Europe.

Recommendations by Mission Chiefs

In commenting on the major factors which should be borne in mind in determining future United States lines of action, there was considerable difference of emphasis among the Mission Chiefs. Most of the recommendations submitted are of a general nature, and some clearly relate to matters not fully within the control of the United States Government. The most significant recommendations are as follows:

1. The United States Government should seek constantly to convince the European countries of our sincere desire to find peaceful settlements of East-West conflicts, and of the essential flexibility of our policies toward the USSR and Eastern Europe.

2. The United States Government should encourage a standard of domestic political behavior which will enable us to stand as an example of democratic comportment to be respected and imitated by other countries. Specifically, it is suggested that the Administration take steps to disassociate itself clearly from "McCarthyism" and to demonstrate that this philosophy is not typical of American thinking. As one Ambassador states the proposition: "Nothing could be more effective in strengthening the foundation of Atlantic unity and restoring moral and spiritual leadership of the United States than decisive action by the Administration against extremist methods employed by some committees and individuals in Congress in its internal campaign against Communists".

3. United States statesmen, both in the Executive Branch and in the Congress, should seek to present a united front on foreign policy matters and should emphasize the President's firm leadership of his party, the Government, and the nation as a whole. It is believed that the great personal popularity of the President should be more profitably exploited than in the past.

4. In all official pronouncements and actions, the United States should demonstrate sympathy and understanding for the traditions, interests and problems of the free nations of Europe, and should stress its determination to maintain a genuine partnership relation with its allies. In particular, the United States should engage in more frequent policy consultations with the Western European nations, both bilaterally and multilaterally, and should give greater weight to the viewpoints of these nations in such matters as military planning and economic policy. The smaller nations of Europe are especially anxious to be "in" on important political and military decisions.

5. The United States should seek to reconcile and explain apparent conflicts in its policies. In particular, our stated military objectives in the European area should be brought into a rational relation with our actual defense efforts.

6. To the maximum extent possible, the United States should cooperate with its allies in long-term military and economic planning so as to assure them of the essential stability of our policies and to

give them a more satisfactory basis for their own internal planning.

7. The United States should minimize "pressure tactics" in its dealings with Europe and, where pressures are necessary, attempt to avoid applying these pressures overtly. The United States should also avoid the appearance of lecturing or "preaching" to allied nations either in official United States pronouncements or through United States propaganda media.

8. The United States should clearly indicate its continued interest in Europe, its intention to continue making a fair contribution to the common defense system for an indefinite period, and its desire for a broader and more permanent "community" relationship with the free European nations. It is especially important that the United States demonstrate that it is prepared to participate in, rather than merely to urge, common efforts to deal with economic and political problems of mutual concern.

9. The United States Government should move urgently to liberalize European exports to this country, and provide assurances that liberalized trade policies will be maintained over an extended period of time.

10. The United States should attempt to develop more "realistic" policies with regard to East-West trade, avoiding efforts to limit trade in non-strategic items.

11. The United States should make technical revisions in its immigration laws to remove special sources of irritation, and consider substantive revisions for the purpose of promoting expanded immigration into the United States.

12. The United States should indicate its willingness to consider a continuation of direct economic aid to countries which have special problems not presently capable of solution on any other basis.

Conclusions and observations

Analysis of the thirteen reports received from our Chiefs of Mission produces certain general conclusions and observations about the state of European attitudes. Some of these are implicit in the reports themselves; others follow logically from the phenomena reported.

1. The present state of European attitudes is not acutely dangerous to United States objectives but may become so if the trend continues. There is no immediate threat to the basic integrity of NATO. However, it is clear that unfavorable attitudes towards the United States can be expected to limit the *degree* of cooperation which can be obtained from our allies.

2. In one sense, increasing European criticism of the United States denotes an improvement in the psychological health of the

European people. Little criticism of the United States was voiced in the period of early post-war despair and defeatism. As European self-confidence and a sense of self-sufficiency grow, it is natural that its statesmen and its people will be more willing to "speak up". This development need not be destructive of allied unity. Rather, it may prove to be the best possible basis for long-term cooperation.

3. It is evident that the recent growth and intensification of attitudes unfavorable to the United States are, in large part, inevitable products of the change of Administration in this country. Many Europeans had "pre-judged" the Republican Administration, and some of them undertook the new relationship with "a chip on the shoulder" attitude, or at least with a very gloomy prognostication of the future course of American policy. As a result, some Europeans have been too quick to notice events unfavorable to their views or interests, to magnify these events out of proportion, and to interpret them as confirmation of their original pessimistic expectations. There is good reason to believe that this tendency toward super-pessimism will gradually disappear with the passage of time. However, this attitude must be recognized as an existing psychological fact and cannot be dismissed lightly. There can be little doubt that Europeans are currently more sensitive to injuries and insults, real or fancied, than was true one year ago, and this consideration should enter into our policy calculations.

4. More than one of our Mission Chiefs observed that world leadership is not, by nature, a popular role. Since we are not engaged in a "popularity contest", European attitudes toward the United States are significant primarily to the extent that they affect the ability and willingness of European governments to cooperate with us in pursuing our policy objectives. It is in this connection that the decline in United States popularity and prestige may prove most damaging. It is already apparent that an overtly "pro-US" position is no longer politically profitable in many parts of Europe. To put it bluntly, many politicians can "get more votes" by opposing policies identified with the United States than by supporting such policies. If resentment and suspicion of the United States produces this kind of reaction among an increasing percentage of the electorate, it is probable that we will face the most formidable obstacles in securing ratification of EDC, building a more adequate NATO defense system, limiting trade beneficial to the Soviet bloc, and achieving other important objectives.

5. Perhaps the gravest danger now apparent is that growing anti-American sentiment may tempt the non-Communist left in Europe, principally the European Socialists, to depart from their postwar policy of cooperation against Communism and move toward a neu-

tralist position. Since the European Socialists, by virtue of their basic philosophy, have had little ideological sympathy for the Republican Party in this country, and since they have never been wholly convinced that the American approach to the Communist menace is the correct one, unfavorable attitudes toward the United States may be intensified among the Socialists. Moreover, among segments of the electorate to which the Socialists traditionally appeal, they may gain a distinct political advantage by taking a position in support of "conciliation of Russia" and in opposition to "excessive US influence". Since the Socialist parties in several European countries are extremely powerful, it is not an exaggeration to say that we cannot hope, in the long run, to win the cold war in Europe without their active cooperation. The European Socialists have never seen eye-to-eye with us on certain issues, but they have cooperated on basic essentials and have thus far been able to avoid the siren call of popular frontism and neutralism. With the Soviet Union now making obvious and intensive efforts to consolidate leftist sentiment against the United States, the danger that the non-Communist left may succumb to an anti-American virus is very grave.

OCB files, lot 61 D 385, "Prestige Project"

Special Report Prepared by the Psychological Strategy Board[1]

SECRET [WASHINGTON,] September 11, 1953.

REPORTED DECLINE IN US PRESTIGE ABROAD

FOREWORD

This report is an attempt to present a synthesis of opinion held in certain foreign countries respecting the United States. It is based on reports largely prepared by American officials and intelligence officers in various foreign countries, pursuant to request. It has been assembled by intelligence officers whose duty it was to reproduce not what they themselves thought but what they had received from observers on the spot in foreign lands. To have tempered these views in order to make them more palatable here would have been false to the purpose of the entire exercise. At the same time, those who have compiled this synthesis are conscious of the fact that it might prove misleading if it were accepted as representing a settled, long range opinion of certain countries toward the United States and its policy. Inevitably, American contacts are disproportionately with educated, articulate sectors of the population, and one must guard against attributing to an entire populace sentiments expressed by this relatively small group.

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[1] At the Sept. 2 meeting of the PSB, Acting Director George Morgan "reported the expected timetable of work on this project and the Board agreed to September 16 as the deadline for consideration of the final draft, in order to make possible submission to the NSC on September 17." It was also agreed that the CIA estimate on this topic would not retain an individual identity but would merely be included in the PSB report. It was also agreed that "high-level agency representatives" should be designated to work with Morgan in preparing the final draft, especially the recommendations. Under Secretary of State Smith designated Counselor MacArthur for the purpose and Stassen named Matteson. Deputy Secretary of Defense Kyes and General Cabell of the CIA stated they would name representatives at a later date. (PSB files, lot 62 D 33, "PSB Meetings") A notation on the title page of the source text reads: "This document is for the eyes of the recipient only. It must not be further disseminated in whole or in part."

Nothing is more fleeting or inconstant than the feeling of one country towards another. The American people have a very particular yearning to be loved and even possibly to be flattered by other peoples. We feel that we have been generous in our policy and with our money and that we have sought no unfair political, territorial, or other advantages. Therefore we tend to be shocked when we find that we are not universally admired and even that in certain areas there is growing hostility. It is well to remember that history does not show many precedents of lasting love and affection between nations. It also shows that the more powerful a nation becomes the less popular it is. The most that a nation can aspire to and should aspire to in international relations is healthy respect.

In the present case the attitude of certain countries toward the United States is influenced by factors such as these: A debtor never loves a creditor and those who receive bounty rarely feel lasting gratitude to the giver; states which quickly assume commanding positions in the world are viewed with jealousy and suspicion by those who lately exercised great power and who by force of circumstances have lost it; the devastation and disillusionment of war, bring to victor and vanquished alike, psychopathic conditions, which superimposed on economic and social stress and strain, tend to exaggerate internation friction. This is particularly true in Western Europe today.

Countless historical precedents could be cited which throw light upon the present international feeling toward the United States. Harold Nicolson in his recent work on the Life and Reign of King George the Fifth describes the attitude toward Britain at the close of the 19th Century which as he states "had rendered England the richest and most powerful country in the world." Then came the Boer war with initial reverses for British policy. This produced in London a black cloud of depression shot with flashes of bewildered rage. Even more perplexing to the British was the wave of gloating animosity which suddenly swept across the continent of Europe.

(King George V, His Life and Reign, Harold Nicolson, Constable, Page 58–59.) One more recent precedent might be cited: Woodrow Wilson visited Europe in triumph after the Armistice in 1918. He was deified in the countries of Western Europe by victors and vanquished alike. When he refused to accede to all the claims of the victors or to satisfy all the hopes of the vanquished, he became the most hated man in Europe. Italy, early in 1919, had given him a reception such as no man, Italian or foreigner, had ever before received. A few months later when he rejected Italian claims to Fiume his face, encased in a German helmet, was imprinted on toilet paper and circulated in millions and millions of copies from the north to the south of Italy. Such is the stability of "affection" among nations.

In appending this foreword to the factual intelligence report which follows, it should be emphasized that it would be false to draw the conclusion that there is anything durable or fundamentally wrong in the relationships between the United States and other countries. The outcome of the recent elections in Germany, in which alignment with the United States-led coalition was a major issue, is reassuring in this regard. We are, however, passing through a phase in which an attitude of hostility is being shown us here and there and this must be reckoned as a factor in the accomplishment of our policy objectives. Naturally it is an element that we should seek to eliminate in order to facilitate the carrying out of that policy.

REPORTED DECLINE IN UNITED STATES PRESTIGE ABROAD

The reported decline in American prestige abroad is considered separately in each of the general regions of the globe. Attitudes toward the United States are influenced by diverse factors in the different areas, many of them directly opposite in impact, so that no significant common trend can be deduced. Therefore, the problem will be dealt with separately in each of the following arbitrary groupings of the free world:

I. Europe and Canada
II. Far East and Western Pacific
III. Near East and South Asia
IV. Latin America

Under each, an attempt will be made to show the variations in American prestige from its first decline after World War II, pointing out especially the low point and the trends during the past six months.

Part V is a tabulation of the favorable and unfavorable references to the United States for the past six months in the radio broadcasts normally monitored from non-Communist countries.

I. EUROPE AND CANADA

(Detailed Report as Tab A)[2]

The high point of US prestige in Western Europe and Canada during the cold war era is difficult to identify but can probably be fixed between the lifting of the Berlin Blockade in the spring of 1949 and the apparent crushing of North Korea's aggression in mid-September 1950. Western Europe's general response to the decision to defend South Korea was one of relief and admiration for American leadership. The military defeats of July and August at the hands of a third rate power raised apprehensions as to American military ability, but the Inchon landings restored European respect for our power.

Almost simultaneously, however, doubts arose in European minds as to the wisdom of American leadership. The decision in September 1950 to seek German rearmament shocked many former victims of the Nazis in the countries they had overrun. Our insistence on exploiting the Korean victory with an advance to the Yalu River seemed to many of our allies provocative. The subsequent intervention of the Chinese and their defeat of a first rate Western army spread gloom in Europe. Even stronger apprehensions were evoked, however, by rumors that Washington was seriously contemplating the use of the atom bomb and the expansion of the war in order to extricate itself from the local difficulty. Many Europeans came to feel for the first time that their gravest danger lay in the possibility of America's recklessly touching off a new war. British Prime Minister Attlee's sudden visit to President Truman in December 1950 was one measure of the depth of this fear.

The first six months of 1951 saw a genuine recovery of European confidence in America. Though the Korean war news was not followed with the same close attention in Europe as it received in the United States, the Eighth Army's recovery and decisive defensive victories against heavy Chinese attacks in April and May had their effect on public opinion. The 23 June Soviet initiative for a truce further rehabilitated US military prestige. General Eisenhower's mission to establish SHAPE succeeded in shaking off much of Europe's lethargy. Whether by the summer of 1951 our stock had again reached its 1950 high is debatable; probably it had at least regained a comparatively high plateau.

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[2] Tabs A–D are printed below.

The 1952 presidential campaign had an impact on US prestige in Europe that was definitely adverse. With all their liking for Eisenhower as a man and as a military leader in war or peace, many Europeans distrusted the Republican party among other things for the past isolationist tendencies of certain of its leaders. By election day they clearly favored Stevenson. The attacks on the respective candidates contributed to the European distrust.

Thus by inauguration day the Eisenhower administration was viewed in Europe with an attitude of watchful scepticism that has persisted throughout the past eight months. Relatively minor incidents which seemed to confirm previously expressed fears have consequently loomed larger to many Europeans than substantial evidence that the new administration is pursuing broad policies that they consider far-sighted and in accord with their essential interests. For example:

The selection as ambassador to the USSR of an experienced career officer, rather than a political figure, was confused in European minds by the attempts of a relatively few Senators to block his confirmation.

The reaffirmation of American support for NATO and the EDC was in part eclipsed by Europeans' resentment at the Secretary of State's call for a speeding up of EDC ratification.

The achievement of a truce in Korea was partially lost sight of in the European disapproval of our apparent condoning of President Rhee's irresponsible actions.

The impact of the President's generally acclaimed 16 April speech was to some extent lost in the almost simultaneous reaction of mingled ridicule and dismay provoked by the Cohn–Schine investigations of US information centers in Europe and the subsequent "book burnings."

Our prestige in Europe in this period was necessarily affected by certain external factors. Chief among these was Stalin's death in February and the ensuing Soviet "peace offensive," which for most Europeans made the need to rely on American power seem much less urgent. An additional factor was the way European economic trends combined with the tapering off of American aid. Further deterioration in the French and Italian economies led those nations in part to see their difficulties as resulting from America's policies. On the other hand, in Britain the achievement of a new recovery high tended to produce a renewed assertiveness in foreign policy.

In summary, the decline in US prestige began approximately three years ago, and accelerated during the last part of 1952, and in certain countries is currently at or near a postwar low.

The past six months have in most countries seen no general improvement; relatively high prestige in West Germany and the Netherlands has been roughly counterbalanced by a further ebbing of respect for American policies in France and Italy. Except in the latter two countries, however, there is less evidence of actual decline than of an increasingly sceptical attitude. On the whole, the situation seems such that a few ill-considered American actions—or even inaction with respect to certain problems—could stimulate a further and accelerated fall.

Major Causes:

It is impossible to separate these into neat compartments. Each impinges on the other. Nevertheless, the following salient features may be identified.

(1) *Declining fear of the Soviet Union*

The fact that the USSR did not attack Western Europe when it was much weaker than today, the varied "peace" gestures of Stalin's successors, and the European nations' own desire to escape the burdens of armament have for many articulate Europeans added up to the conclusion that there is now little danger from the East. The 1947 guerrilla war in Greece, the 1948 coup in Czechoslovakia and the 1950 invasion of South Korea have found no comparable counterpart in the past three years: hence it is argued that the Kremlin has learned its lesson and will concentrate for some time on ameliorating conditions within the Orbit. Thus when American leaders stress the continuance and growth of the Soviet threat, they are regarded as doing so from ulterior motives, and even charged with insincerity on the ground that we would not be reducing our own arms budget if we really believed in the Soviet threat ourselves.

Another and familiar line of European reasoning, though inconsistent with the above, nevertheless induces the same tendency toward defense cutbacks. This view holds that if the American contention is right and the USSR is indeed building a powerful military machine to achieve world domination, this force will be far too potent for Europeans to cope with alone and will be defeated only after a protracted struggle in which Western European civilization will be destroyed no matter what defensive measures the free countries take.

Whatever the line of reasoning may be, there is a very strong desire in Europe to settle the cold war by negotiation, and this is transmuted by wishful thinking into the conviction that such a settlement is in fact attainable in the relatively near future. In immediate practical terms, this European conviction has removed much of the sense of urgency and willingness to sacrifice which marked the early NATO buildup. As regards American prestige, it means that Washington, by continuing to insist that the West demand some prior evidence of Moscow's peaceful intentions, now draws condemnation as a major obstacle to peace.

(2) *Distrust of American leadership*

Many Europeans who profess to follow international developments believe that the United States has not had sufficient experience in foreign affairs to offer wise and farsighted leadership. This opinion arises in the capitals of states which have been important European powers for centuries and global powers for many decades. In Britain, the return of Churchill and the Conservatives has strengthened the nostalgia for the time when Britain was the leading global power, and hypersensitivity to playing the role of a junior partner manifests itself in reflections on American inexperience.

Throughout Europe we are often charged with impatience and impetuosity, with an "all-or-nothing" approach in the East-West conflict, and with intending to press the present struggle to a conclusion entailing humiliation of or annihilation of the Soviet Union. The smaller countries like Denmark and Switzerland, which in the past have managed to survive under the shadows of vastly greater powers, are especially prone to regard the American approach as dangerous and greatly lacking in historical perspective. Such misgivings are evidenced particularly in the strong reactions to any intimations that we might embark on a course designed to "liberate" the satellites.

To many Europeans we also appear unfair in our ready criticism of the colonial policies of some European nations. We seem to them too reluctant to give credit to the French and Dutch for their positive accomplishments in improving conditions in French North Africa and the Netherlands East Indies. Others see us as so anxious to have the European defense and political communities established that we forget the strides already taken in forming the Coal and Steel Community.

(3) *"McCarthyism"*

Whether or not European reaction to Senator McCarthy is fundamentally the most active cause of the current distrust of American leadership, in many European minds "McCarthyism" is used to justify much of their dislike and distrust of the United States.

Rightly or wrongly, many articulate Europeans point to the possibility that the McCarthy philosophy may become dominant in the United States. They profess to see a powerful and prosperous country with a negligible Communist Party showing signs of acute alarm over the dangers of internal subversion, and they conclude that this country is either unsure of itself or has no genuine attachment to some of the fundamental values of a democratic society. Recalling that in 1928, barely four years before becoming

Chancellor of Germany, Hitler and his Nazis polled only three percent of the German vote, these European observers note that more than one-third of the US electorate have a favorable view of McCarthy, and that one-fifth hold this opinion intensely. They speculate on what might happen if America should suffer a disaster in foreign affairs coupled with a depression akin to Germany's in 1930–31.

Besides this fear of the potentialities of "McCarthyism" is the widespread European view that the Senator's methods are abusive. These Europeans not only object on grounds of principle to his efforts to destroy his opponents' individual integrity but also hold in high esteem many of McCarthy's targets, whom they directly associate with the development of the most constructive postwar American policies.

Since to many Europeans McCarthy is a symbol entirely incompatible with their image of President Eisenhower, they profess to be particularly bewildered at the apparent deferential treatment McCarthy has received from the administration. They consider that no European party entrusted with executive leadership would tolerate such an open challenge to its top direction. These Europeans see McCarthy as, on the contrary, exercising an increasing influence over American foreign policy. They note his attacks on foreign trade with China, his influence over State Department personnel policy, and particularly his success during the spring in apparently forcing a shake-up of the whole overseas information program.

(4) *Economic policies*

Certain aspects of our international economic policies have also been pointed out as being harmful to our standing in most of Europe as well as in Canada. Europeans have been heavily sold on a policy of "trade not aid," many of them realizing that in any case American willingness to provide subsidies is drying up. Many seriously question our sincerity, however, when we fail to lower our own trade barriers and at the same time oppose their trading with the Soviet Orbit. Canada has already threatened retaliation against new American trade restrictions.

In Europe there are frequent indications of resentment against the Battle Act and our positions taken in COCOM, despite the efforts of American representatives to minimize friction on these questions. American policy is seen as forcing European countries to curtail its traditional trade with areas now within the Orbit, while relatively little has been accomplished to help them find alternative markets in the free world. Consequently, our extremist critics in Europe charge that European economic shortcomings can be laid at the door of the United States. Even in more responsible circles of European opinion there is a conviction that as a great creditor nation the United States must move nearly all the way to a policy of free trade. They believe that restrictions on East-West trade have hurt the free world far more than was necessary to avoid significant assistance to the Soviet military build-up.

(5) *Miscellaneous lesser factors*

Suspected American interference in domestic politics.

Labor's failure to achieve the higher standard of living expected from the Marshall Plan.

Rigid American immigration laws.

Statements by Congressmen and private citizens which Europeans consider to be offensive to them.

II. FAR EAST AND WESTERN PACIFIC

(Detailed Report as Tab B)

The great mass of oriental peoples have little or no understanding of international issues and thus their attitudes towards the United States are either formulated by their leaders or are nebulous. The government-inspired demonstrations of the South Korean populace during various allegedly unpopular phases of the Korean armistice negotiations are a case in point.

It is difficult to characterize the status of US prestige in the orient in any generalization because, lacking the homogeneity of western European nations, there is less uniformity of attitude towards the United States in the Far East and Western Pacific than in the West. In Indonesia in 1948 and 1949 our prestige was at its postwar high thanks to US support for the Indonesian struggle for independence. The Chinese Nationalists in 1949, however, credited America with much responsibility for the Communists' mainland victory and American prestige was at its lowest ebb since World War II. Our prestige in these two countries is now reversed.

The white man's prestige in the Far East suffered a nearly total eclipse at the beginning of World War II as a result of the Pearl Harbor fiasco, and the fall of Singapore, Bataan and Corregidor in rapid succession. America's impressive military victory in the war and our contribution to the Atlantic Charter and the formation of the UN brought US prestige to unprecedented heights in the months following the war. American prestige has declined since the Japanese defeat but the ebbing has not been uniform. Generally speaking, however, the prestige of the United States with the non-Communist leaders in Japan, South Korea, Formosa, the Philippines and Thailand, while subject to fluctuations, is still high. Comparatively in Burma, Indonesia and Indochina, however, it has deteriorated and is now low.

The loss of mainland China to the Chinese Communists saw our prestige at its lowest since World War II. The Korean "police action" has been a period of ups and downs. There was a great rise in prestige with the Inchon landing and a sharp fall with the retreat from the Yalu. The war in Korea has seen the reputation of the United States on the rise in Formosa while the peoples of the Philippines and Thailand have taken pride in the accomplishments of their troops in Korea fighting in a common cause with the forces of the United States.

In summary, American prestige reached its nadir in the orient in 1949 with the fall of mainland China to the Chinese Communists. The Korean war has been a period of successive rises and declines.

There has been no over-all change in US prestige during the past six months, although there has been some recent recession over the question of India's participation at the Korean political conference.

Major Causes:

The following salient causes may be identified.

(1) *Economic problems*

American economic and medical aid programs, the results of which can be clearly seen, have made deep and favorable impressions on the public and intelligentsia of several countries. American financial aid, which has often been squandered by corrupt governments or misapplied by impractical local American administrators, has sometimes been more than wasteful and has resulted in varying degrees of disrespect. A number of governments have sought American economic aid as a means of maintaining the position of the politicians in power. Frequently the popular protests over failure to receive aid in the amounts desired is more indicative of politician-inspired pressure on the US to raise the ante rather than genuine public dissatisfaction.

United States trade policy has been a source of worry for Japan and the Philippines. High tariffs against Japanese exports combined with pressure not to trade with Communist China leaves the Japanese frustrated. The Philippines are growing alarmed over the prospect of gradual loss of the preferential tariffs on their sugar.

(2) *Colonialism and race*

Close American relations in Western Europe with the United Kingdom, France and the Netherlands as well as our former relationship with the Philippines leaves the US open to charges of colonialism whenever we have failed to support a Far Eastern nation in its nationalistic aspirations. Suspicion of American "imperialism" is the single most adverse influence on American prestige.

All orientals are acutely sensitive to any hint of racial discrimination. Asians bitterly resent any American policy that states or implies a "Europe First" preference because of racial affinity. They see a contemptuous quality in the suggestion that we will retain Asians to fight our battles in the Far East.

(3) *Distrust of American leadership*

The attitudes of the non-Communist oriental countries towards Communism are so divergent as to make a satisfactory middle ground impossible of attainment. South Korea and Formosa feel that the US fails to appreciate sufficiently the dangers of Communism and that we are not instituting severe enough anti-Communist action. The Japanese view themselves as understanding the Chinese mind better than Americans do and they have attempted to advance themselves as political middlemen. The neutralist-minded nations in Southeast Asia view our actions as designed to lure them into our camp and frequently our actions are seen as provocative towards the Communist orbit.

Many native leaders are naive about the threat of Communism and American prestige would be greatly enhanced if these men were persuaded to see Communism in its true light. President Sukarno of Indonesia, who is typical, has publicly announced that a Communist government in his country would be fully acceptable to him if it attained power by legal means.

III. NEAR EAST AND SOUTH ASIA

(Detailed Report as Tab C)

American prestige in the Near East and South Asia since 1947 has varied widely in the different parts of the area. In Greece and Turkey it has been high for many years, and since 1947, when the United States filled the vacuum created by Britain's contraction of its sphere of influence in the Mediterranean, it has continued on the same high plane. In Egypt and Lebanon, American prestige has improved somewhat from the all-time low it reached in 1948 after the close of the Palestine War and the establishment of the state of Israel, but the United States has yet to prove itself in the area.

In South Asia, American prestige has registered a fairly steady decline in government circles since 1947 when India became independent, though among the peasant classes it has risen somewhat in the past two years as the effects of economic assistance and emergency food aid have become evident.

The historical friendship between Greece and the United States and the post-World War II economic and military aid given by this country have combined to keep American prestige at a high level. Similarly in Turkey, Turkish recognition of the cultural and educational contribution being made by American institutions there has contributed to the friendly attitude taken toward the United

States. The considerable quantity of economic and military aid given Turkey since World War II has also helped. Occasional slight decreases in American prestige in both Greece and Turkey have not in recent years materially altered the basic good will felt toward the United States.

In Egypt and Lebanon, the situation has been different. Prior to and following the establishment of the state of Israel and the ensuing Palestine War of 1948, in which the Israelis soundly defeated the Arab armies, American prestige reached an extreme low throughout the Arab world. Since that time, American support for Israel has continuously irritated Egypt, Lebanon, and the other Arab nations. American diplomatic actions and promises of economic assistance to the Arabs have only slightly increased the prestige of the United States in the area.

In 1947, American prestige in South Asia was high. The Indian people, newly freed from British domination, regarded the United States as the world's mightiest nation as well as its greatest democracy, and they hoped to emulate its example. Since then, however, American prestige has declined almost steadily, especially in government circles, rising only temporarily when American and Indian views on world issues happened to coincide, or when spectacular American economic assistance has been forthcoming.

During 1953, friction between India and the United States has again become pronounced. The February announcement that the US Seventh Fleet would no longer protect the Chinese mainland from Nationalist attack, American efforts to keep India out of the Korean political conference, the United States' opposition to admitting Communist China into the UN, and its reiterated stand against inscribing the North African issue on the Security Council agenda are all cases in point.

Major Causes:

The basic causes for periodic declines in American prestige in the Near East and South Asia are:

(1) *Nationalist sensitivity*

The intense national pride and independence which has developed in most of the Near East and South Asia since World War II has created an ardent drive for recognition, a sensitivity to criticism or advice, an antagonism toward color bars, and a fear of political and economic domination that have created constant friction with the United States.

(2) *Neutralism*

Nationalism has also led to a desire to remain apart from big-power politics and from participation in either the Eastern or Western blocs. This feeling of neutralism is best exemplified in

India, where Prime Minister Nehru's concept of an Asian "Third Force" or "neutral" bloc has become well known. Constant American efforts to draw Near Eastern nations closer to the West have produced antagonism. American failure to recognize India as the leader of a "Third Force" also rankles Nehru.

(3) *American backing of Western powers*

Concurrently with disappointment over the United States' failure to encourage nationalist movements in Indochina, Iran, Egypt, and Morocco, the Near East feels that the United States is tied to British and French apron strings and that it does not dare to make its own independent policies. This feeling is akin to that which considers the United States more interested in big-power politics than in the welfare of Near Eastern peoples.

(4) *Dislike of American materialism*

The feeling that the United States is politically selfish is accompanied within the area by the concept that it is economically selfish. Regardless of the amount of aid granted to various Near Eastern countries to date, the view is expressed that the United States favors Europe over the more needy underdeveloped regions of Asia and there is constant criticism of American failure to provide economic and military aid in the quantities desired. It is also felt that the United States is not the altruistic democracy it claims to be. Suspicious of "something for nothing," Near Easterners and South Asians feel that some hidden motive must lie behind American offers of aid.

(5) *Inconsistency of American policy*

Apparent inconsistency in American policy on various occasions creates uncertainty in Asian minds as to American motives and intentions. American alacrity in springing to the defense of South Korea, for instance, is contrasted with its unwillingness to support Iran, Egypt, and Morocco against "colonial" powers whose intentions are deemed oppressive, if not actually agressive. In India, particularly, American "aggressiveness" in advancing to the Yalu River in Korea and the statement that the Seventh Fleet would no longer protect the Chinese mainland from Nationalist attack were contrasted with statements that the United States desired peace.

(6) *American fear of Communism*

Many Near Easterners, and especially South Asians, have been unable to understand the sense of urgency displayed by the United States in its war on Communism. To them, Communism is not a danger, and Soviet imperialism is an empty phrase. The Islamic religion is seen as a strong barrier against any Communist threat. Consequently, American efforts to point out the dangers of Communism have been rebuffed or minimized. The "threat to turn to the USSR," if the United States does not supply desired political or economic support, has also been used by Near Easterners who recognize its usefulness in exploiting American concern.

(7) *Religiously-inspired national rivalries*

National antagonisms based on religious differences, such as the Moslem-Jewish friction between the Arab states and Israel and the Hindu-Moslem rivalry between India and Pakistan, also lead to occasional bad relations with the United States. Any apparent display of favoritism toward one side is invariably severely criticized by the other.

IV. LATIN AMERICA

(Detailed Report as Tab D)

For several generations "the Colossus of the North" and "dollar diplomacy" have been favorite subjects of attack by Latin American nationalists, who have nevertheless grudgingly admitted their respect for the United States. Our prestige and popularity in Latin America probably reached their peak on the eve of the Allied victory in World War II, when representatives of the American republics gathered in Mexico City for the Chapultepec Conference in February and March 1945. Our success at this inter-American Conference on the Problems of War and Peace, however, was somewhat tempered when Assistant Secretary of State Clayton strongly insinuated that after the war Latin America should forsake its industrialization aims and make every effort to expand and improve its agriculture and extractive industries.

In Latin America our prestige, in the sense of respect for the strength, material wealth, technical development and democratic institutions of the United States, has remained at a relatively constant high level during recent years. It has, however, varied among different socio-economic groups and from country to country, probably being lowest in southern South America and highest in the Caribbean area. United States' popularity, on the other hand, has fluctuated according to the favorable or unfavorable reception in the various countries of Washington's policies with respect to the individual republics.

Our postwar policies of rebuilding a sound Europe gave rise to American charges that the United States, friendly toward them only during the war years, was again neglecting them. Latin Americans felt that they should at least have received a larger share of aid. This feeling of irritation increased almost to a point of disrespect for the United States on the part of many Latin American delegates to the Ninth Inter-American Conference in Bogota, Colombia, in April 1948, when Secretary of State Marshall explained the logic of first rebuilding Western Europe in order to strengthen the free world. American popularity and prestige in Latin America was probably at its lowest ebb at that time.

The promptness with which the United States opposed Communist aggression in Korea in June 1950 greatly increased our standing with the Latin American governments. The people of Latin America, however, never felt the urgency of fighting in Korea. The Truman administration was increasingly attacked for calling on the Latin Americans to give up, albeit momentarily, their industrialization programs in order to increase the production of those raw materials necessary for winning the Korean war. Many Latin Americans felt that Roosevelt's Good Neighbor policy had now been abandoned.

The election of President Eisenhower last November brought a halt to the decline of our prestige and popularity in Latin America. Since January of this year, the Latin Americans have adopted a "wait and see" attitude toward the developing Latin American policy of the Eisenhower administration. They were generally encouraged by Assistant Secretary of State Cabot's trip through Mexico, Central America and the republics in the Caribbean and even more by Dr. Milton Eisenhower's visit to the ten South American capitals. Argentina in particular hailed the latter's trip as the turning point in its relations with us. All apparently expect his visit to result in concrete offers of economic assistance and loans.

In summary, American prestige was at its peak during World War II. The decline began shortly after the end of the war and probably reached its lowest ebb in the spring of 1948. Our prestige again reached a relatively high point at the time of the meeting of the foreign ministers of the American republics in Washington early in 1951, but then decreased once more.

The Eisenhower election last November brought at least a momentary halt in the decline of US prestige and popularity in Latin America. During the last six months, American prestige has risen in some of the countries, notably Argentina. All are adopting a "wait and see" attitude. A very few ill-considered actions or statements on our part could again precipitate a slump. Failure to act favorably on certain Latin American problems—notably those of American loans and raw material purchases—may also stimulate a decline. Conversely, a relatively small increase in economic and military aid to Latin America could bring about a sharp increase of our prestige and popularity in the area.

Major Causes:

It is impossible to separate these into neat compartments. Each impinges on the other. Nevertheless, the following salient features may be identified:

(1) *Latin American feeling of being neglected*

Since the United States has become preoccupied with problems of the cold war, the Latin American nations have come more and more to feel that they are simply being taken for granted. They believe strongly that their strategic importance and their close association with the United States entitle them to at least equal consideration with the European and Asian nations which are receiving the bulk of American economic and military aid.

(2) *Growth of nationalism*

An increase in their national consciousness in recent years has made the Latin Americans vulnerable to the propaganda of ultranationalist minorities and of small groups of Communists. Politically, this has resulted in an oversensitivity to any appearance of infringement by the United States on their sovereign rights and a tendency to blame us for many of their own difficulties.

Economically, this growing nationalism has resulted in renewed efforts to free their economies from dependence on those of the highly industrialized countries. "Economic colonialism," in their view, holds them to an unfair trade relationship with the United States and other great industrial countries which, they claim, impose price ceilings on raw materials imported from Latin America while doing little to control the export prices of manufactured goods needed by the Latin Americas.

The strength of this desire for economic independence is seen in such measures as protective tariffs, exchange restrictions, and government-sponsored industrialization. Sentiment is also growing, particularly in Guatemala, Chile and Bolivia, for the expropriation and nationalization of foreign owned enterprises, which in many countries are mainly owned by US citizens, and for more control over the form and scope of foreign investments.

(3) *US demands on Latin America in the East-West struggle*

Latin Americans fear that the United States has been demanding too much from them in the East-West struggle. Their initial enthusiasm for our decision to intervene in Korea soon gave way to an attitude of caution, while Communist and Peronist propaganda exploited the fear of global war and stressed the theme that Latin America had nothing to gain and much to lose from involvement in world conflict. As a result, only Colombia contributed troops to the UN action in Korea, and Latin American implementation of the pledge to increase production of strategic materials was not as effective as the emergency warranted. Further evidence of the neutralist pressures in those countries is seen in the long delay of some South American legislatures, notably in Brazil and Uruguay, in ratifying military agreements with the United States.

(4) *High tariff sentiment in the US*

Latin American nations have indicated concern over the recent growth of high tariff sentiment in the United States; our prestige in the hemisphere is endangered whenever a bill is introduced in Congress which would restrict imports of important Latin American commodities. The Venezuelans, for example, strongly opposed the so-called Simpson Bill which would have restricted imports of petroleum. Latin Americans also fear that the Korean truce may result in a general recession in the US which would be disastrous to their ill-balanced economies.

(5) *Miscellaneous lesser factors*

Offensive statements about Latin America and its internal affairs by Congressmen or private citizens.

US press attacks on chiefs of Latin American states and other high government officials.

Poaching in Latin American territorial waters, notably in Mexico, Ecuador and Peru, by American-owned fishing vessels.

V. FOREIGN RADIO BROADCAST SUMMARY

Some hint of how our policies appear to non-Communist nations abroad is discernible in a tabulation of references in the radio broadcasts normally monitored by CIA. The sample is, however, too haphazard for firm or precise results.

References to the United States in non-Communist Broadcasts, all countries

(From 1 March to 1 September 1953)

[Here follows a chart which depicts graphically the data contained in the following table.]

	Favorable		Unfavorable	
	Strong	Mild	Mild	Strong
Eisenhower Statements, especially 16 April speech	86	51	22	13
US Aid or Intervention abroad	28	33	45	29
Dulles Statements, especially tour with Stassen	12	38	31	32
Food Offer to East Germany	3	2	4	0
Rosenberg Case	0	3	21	2
Senator McCarthy and Committee Activities	3	6	67	100

	Favorable		Unfavorable	
	Strong	Mild	Mild	Strong
Taft's "Go-it-alone" speech	0	0	4	10
US Tariffs and Trade Policies	0	0	11	7

[Tab A]

I. EUROPE AND CANADA

United Kingdom

American prestige has suffered a moderate decline in Great Britain over the past two years, and this trend has accelerated since the inauguration of President Eisenhower in January.

The British nation is particularly sensitive to its relinquishment of world leadership to the United States. The British do not believe that their own decline in power and prestige has lessened their understanding of world affairs, and fundamentally doubt that the United States is learning fast enough the proper role of leader. They see Washington more divided than ever on the general approach to international problems, unwilling to take the economic steps a creditor country should in international affairs and in particular failing to understand the need for flexibility in its diplomacy.

In several important respects American policies have been deemed ill-conceived. Differences over the conduct of the Korean war and Washington's pressure upon the Chinese Communists has been the most frequent aggravant of Anglo-American relations. The February decision to permit Chiang Kai-shek's forces to harass the mainland, accompanied by reports that Washington was itself contemplating a blockade against the Chinese Communists, produced profound agitation at a time of general uncertainty over the course of the new administration.

Renewed criticism was aroused by each hint that the United States might extend the Korean fighting or conversely that Washington was not bending every effort to bring the fighting there to an end. Official circles generally sympathized with the American approach and tried to explain it, but the underlying doubts about the maturity of Washington's leadership remained. American insistence on the two-sided Korean political conference, with India excluded, was considered particularly shortsighted, causing almost universal condemnation of the Washington position.

Regarding the Middle East, both public and officialdom have been sensitive toward any signs that the United States might not be giving full support to Britain in its difficulties with Iran and Egypt. Additional elements of importance have included the focusing of public annoyance at American trade practices by the widely publicized rejection of the British bid on the Chief Joseph Dam project and the British public's distinct preference for Governor Stevenson over General Eisenhower during the presidential campaign—which still survives in expressions of doubt as to the desirability of a general's occupying the White House.

The varied activities of Senator McCarthy have been pointed out as having markedly harmful effects on the prestige of the Eisenhower administration. The press made a great deal of his efforts to defeat the Bohlen nomination. It initially played up Cohn and Schine's travels about Europe as a subject for amusement, but soon turned to their more serious aspects as highlighted by the "book burning" issue. Conservative as well as Labor papers were indignant over McCarthy's personal attack on Attlee in May. British officials were directly affected by the Senator's strictures on the United Kingdom's trade with China. Many British have professed to be particularly disturbed at his apparent immunity from control by the leader of his own party, in matters which they considered as clearly affecting the foreign policy and standing of the United States government, and welcomed signs in mid-summer that the President might be moving to deal with the situation.

France

The problem of a decline in American prestige assumes greater proportions in France than in any other continental European country. During the past year, and more especially during the past six months, Frenchmen's sense of frustration over their country's own difficulties has been reflected in part in a profession of spreading distrust of Washington's leadership and increased criticisms of what the US stands for as a country.

An influential urban minority composed largely of intellectuals has been bitterly critical of the effects of Hollywood and Coca-Cola in Europe and has waged a vociferous campaign against America's "lapse" from democratic traditions. Such elements eagerly grasp at the USSR's "peace" feelers, and internal political trends have intensified a demand that France follow a new course in foreign affairs, which would diverge considerably from a number of key American policies. Basically, moreover, French views on all major foreign issues are distorted by their excessive concern over Germany's economic resurgence. Now for the first time since World

War II there is danger of a real cleavage between the United States and France on fundamental issues.

According to a poll conducted in mid-1950, the French were least disposed of all the major Western European peoples to trust United States leadership, praise American cultural standards, or credit this country with continuing progress toward democratic goals. Commencing in the summer of 1952, events in France and the United States combined to intensify these attitudes. Demands in the American election campaign for a shift to a policy of liberation in the cold war badly frightened the French, who dread a drive to restore Germany's pre-war frontiers or any other tipping of the scales toward total war. At the same time organized opposition to the proposed EDC treaty was beginning to emerge in France, and the widespread skepticism and disapproval were reflected in Premier Pinay's procrastination on the issue. By October, Foreign Minister Robert Schuman's pro-US position was being rapidly discredited as out of step with the growing sentiment for nationalistic stands on EDC and Tunisia.

The critical French financial situation of early 1953, the resulting prolonged cabinet crisis of mid-year, and the increasing temptation to abandon the Indochina War greatly strengthened the hand of those nationalistic political and press elements seeking to discredit the "Schuman" policies, portray the United States as basically hostile to French interests, and thus promote French independence from American influence. Even though a more nationalistic left-center government under a leader such as Mendes-France is not likely to be formed in the near future, the evident support for such a coalition is sufficient to exert considerable influence on the present government. Georges Bidault, Schuman's successor as Foreign Minister, has recently asserted privately that "the bugaboo of Soviet invasion is primarily a United States dream," and that the State Department operates on "too high a moral plane."

These domestic factors reducing French respect for American leadership were accompanied by the many unfavorable reactions to the new Washington administration's policies and to "McCarthyism." The emphasis on deep economies in the United States budget struck a special terror in the French, for whom this was a further indication that they might be left alone sooner than expected to cope with German economic ascendancy. Senator McCarthy's methods evoked much criticism in French intellectual circles. Already this allegedly has contributed to the discrediting of the French government's own anti-Communist campaign, which has now been broken off. There are those who say that the French people as a whole would far sooner tolerate Communism in France in its present form and to the extent under which it has hitherto been brought under control than to have it eradicated thanks to the importation of McCarthy's methods and tactics. Certain of these seem to regard Senator McCarthy as only a symbol of a deep-seated American trend. The intellectual leadership reads, even though it may disapprove of, the Paris newspaper *Le Monde,* whose strong nationalism has frequently resulted in expressions of anti-American and neutralistic sentiments. "McCarthyism would not disappear with McCarthy; it has become one of the main currents of American public opinion," and "McCarthyism is only an atrophied expression of the sentiment which carried President Eisenhower to the White House," *Le Monde* has declared. There is evidence that America's bridgeheads among labor and youth groups have been weakened, and the rising doubts in scientific circles that intellectual freedom can be maintained in America promote Communist efforts to disrupt the valuable liaison between American and European scientists.

Thus, granted a continuation of France's economic difficulties and further relaxation of cold war tensions, the stage is set in France for an additional decline of United States prestige. Despite the French nation's deep respect for America's dynamism, this situation tends toward serious clashes with Paris over major cold war policies as American aid declines.

Italy

After France, Italy would appear to call for the greatest attention in any effort to reverse the decline of American prestige. This decline began as early as 1948, when the revival of Italian national aspirations and the continuation of heavy economic burdens resulted in a growing volume of attacks against American leadership of the West. American prestige reached perhaps its lowest point after this year's June national elections in which the US-oriented De Gasperi government suffered serious defeats from both the extreme left and, but to a lesser extent, the extreme right.

The June election results point up one of the major reasons for the deterioration of American prestige in Italy. A large part of the Italian public appears to feel that the De Gasperi government was gradually turning to the right in the face of an increasing popular trend to the left, and that this is partially a result of United States influence. Many Italians say that the De Gasperi government was encouraged by Washington to ignore the demands of the moderate left for sweeping social reform as a counter to Communism and that they fear that the United States is even now exerting pressure on the Christian Democrats to ignore the "popular mandate" for giving elements of the left a voice in the government.

Although many Italians admire American economic self-sufficiency and technical know-how, some are distrustful of the stability of the American temperament particularly in regard to Communism and the Soviet Union. These find the American attitude toward Communism hectic and exaggerated, and the Italian press registers alarm over the influence of McCarthyism on American policies. Many Italians fear that the United States is willing to engage the USSR in a preventive war in which Italy would be destroyed, and consequently they view the presence of US forces on Italian soil as unnecessarily provocative and as a sign of Italy's satellite status. The presence of a former general in the White House is regarded by some as a further indication that the United States may become aggressive. Meanwhile, numbers of Italians have little faith in NATO's present military strength and are critical of their subordinate status in that organization.

Similarly, Italy's failure to gain admission to the UN seems to be charged less to Soviet intransigence than to American lack of insistence in pushing Italy's cause.

Long-standing grievances have been American tariff restrictions on Italian products such as fats, oils, and hatters' fur, and low US immigration quotas for Italian nationals. More recently, Italians have resented the McCarran Act and the effects on their economy of the Battle Act and the US-sponsored COCOM restrictions on East-West trade.

The strong neutralist sentiment in Italy has been consistently and skillfully exploited by the large Communist Party and its ally, the Italian Socialist Party led by Pietro Nenni. Both have taken effective advantage of the recent change in Soviet international tactics to discredit American foreign policy in the popular mind.

Particularly within the past few months American prestige has been seriously impaired by the growing suspicion that Yugoslav military cooperation is being purchased at the expense of Italian interests in Trieste and elsewhere. The Italian press was sharply critical of Secretary Dulles' recent statement that the United States was willing to reconsider alternative solutions to the 1948 tripartite declaration calling for the return of the entire Free Territory of Trieste to Italy. Italians are also sensitive to American criticism that their economic policies are to blame for the failure of American economic aid to produce the expected results. Ambassador Luce's pre-election statement that a "totalitarian victory" would have "grave consequences" for cooperation between Italy and the United States is stated by some important observers as having been a factor in the failure of De Gasperi's center bloc to win a majority of the popular vote.

West Germany

Quite in keeping with their temperament and ideals, the Germans focus attention on America's overwhelming industrial and military potential; for them, traditionally, power is the essence of prestige. Hence, American prestige in Germany has undergone no appreciable deterioration and will probably continue at its high level for a long time to come. Chancellor Adenauer's overwhelming electoral victory on 6 September was, in part, a reflection of America's current standing.

Criticisms of American policy methods, and dissatisfaction with our policy shortcomings, are almost as rife in Germany as, for example, in France. But whereas the French are likely to be preoccupied with the implications of Washington's actions for the larger question of America's moral leadership, the Germans tend to judge the United States' role in terms of specific results. By the same token, a clear-cut failure of our policies could impair America's prestige with the Germans.

German criticisms of American policy which can bear watching include the tendencies to regret the excitability of Americans, to resent American "preferential treatment of France, and to attack certain occupation practices. The extension of Senator McCarthy's activities to Germany gave rise to a considerable volume of adverse publicity which played down Congress' constitutional rights and the facts pointing to Communist conspiracy. Various German elements, particularly rightist newspapers, have hinted strongly that "McCarthyism" cancels the Americans' right to criticize the Nazi regime. Many well-educated Germans, however, profess to believe that "McCarthyism" is only temporary, and that the more serious long-term threat to respect for American officials abroad arises from the publicity given to the deep conflicts between the Executive departments and Congress.

Austria

The decline of American prestige in Austria has been more gradual than in France and Italy and may be traced back to 1947 or 1948, when hope for an early end of the occupation or of dependence on American "charity" began to fade. With the progressive decline of Communist influence within Western Europe Austrians have discounted the Soviet threat from without and have displayed a growing conviction that they could criticize American positions without necessarily playing into Communist hands. This attitude was reinforced as they came to realize that any basic improvement in the Austrian situation depended on Soviet concessions rather than on the United States' good will.

Foreign Minister Gruber has taken unilateral actions in quest of a state treaty and has had a tendency to disparage the local staff of American officials. The Austrians have shown that they do not accept American officials in Vienna as really representing present Washington policy, in view of the change of administration. The Cohn and Schine investigations caused many criticisms. Furthermore, Austrians frequently reveal their sensitivity to blows suffered by American policy at the hands of other major Western powers, as for example by British attacks on America's Far Eastern policy and by French procrastination on EDC.

Sweden

American prestige in Sweden has apparently suffered a slight decline in the past year, continuing a general though irregular postwar trend.

Committed to a policy of neutrality, and hence less involved with American foreign policies than most European countries, Sweden is most directly influenced by indications of American determination to seek a peaceful settlement of disputes. Accordingly, the Swedes, who were disturbed early in the Korean war that American military leaders might act contrary to Washington's intentions, have in the past year been similarly alarmed at occasional signs to them that Republican leadership is divided over continuing a conciliatory approach on East-West issues. Many Swedes initially saw dangerous implications in many Republican administration statements about pursuing a more dynamic program and liberating enslaved people. In the past six months, Swedish leaders of opinion have indicated that they have been reassured by the achievement of the truce in Korea and the positive approach of President Eisenhower's 16 April speech.

Detracting from this generally higher regard for American actions in the foreign field is a continued decline in many Swedes' esteem for the moral stature of the United States. The varied aspects of "McCarthyism" have caused most criticism. Criticism has also been directed against the rigid provisions in immigration laws and the limiting of the shipment of antibiotics to China, the execution of the Rosenbergs, and, as always, discrimination against Negroes. In addition, some Swedes have deprecated an increasingly propagandistic tone in official statements, and signs of interference in the internal affairs of other countries, as in the Italian elections.

In general, Swedish opinion, which frequently follows the British approach to international affairs, professes to see the United States as not yet sufficiently sure of itself to act maturely as leader of the free world.

Belgium

American prestige declined somewhat in Belgium during the first few weeks after the Republican administration took office in Washington and reached its low point by the end of March, though even then not falling far below the general level maintained during the period 1946–50.

With their high living standards and advanced technological development, the Belgians are proud of their close approach to American standards and are predisposed toward approving United States leadership. This economic prosperity, plus their historic insecurity, however, make them wary of any threats to international stability. Hence they have been highly sensitive to any indications that the new Washington administration might be tending to "go it alone" or follow inflexible lines in international problems. Such apprehension has been increased by the publicity given by the leftist press in particular to a "reactionary" trend in the United States, as exemplified by such developments as "McCarthyism," the McCarran Immigration Act, and the Rosenberg case.

The Netherlands

American prestige in The Netherlands has reached its highest point of the post-liberation period in the past six months, principally as a result of gratitude for the United States' response in the flood disaster of February 1953. In addition, the Dutch are believed to be aware that their steady economic gains are made possible by the American aid program.

Dutch supersensitivity on two points, however, tends to diminish deep confidence in American leadership. The loss of their Far Eastern possessions has made them unusually quick to see themselves slighted by the big powers and regarded as merely a minor European state.

The second point of sensitivity is on East-West trade controls, where the Dutch are prone to complain that the United States puts less pressure on the British than on them and that the United Kingdom will benefit from any increase of restrictions on Dutch exports to the Orbit. Dutch dissatisfaction with the control program is heightened as a result of the rapid over-all expansion of their trade with the USSR, which in 1952 reached a level 15 times that of 1950.

Switzerland

There has been a decrease in United States prestige in Switzerland since the summer of 1952, but it has not been so deep or far-reaching as in France or Italy. This decline has been reflected in a more critical attitude toward American policies, rather than outright rejection of them.

The Swiss press disagrees with those who attribute America's decline in influence to reductions of foreign aid, and instead blames the inconstancy of Washington's foreign policy since the 1952 election campaign, together with a lack of leadership and foresight. As an example of the latter, South Korean President Rhee's coup in releasing the war prisoners is cited.

Many Swiss, moreover, now profess to feel that Senator McCarthy represents a dominant element within the Republican Party and hence within the present administration.

US prestige seems not to have suffered appreciably from Swiss criticism of American policies, and the working relationships between the two governments have not been affected. Bern did present Washington with a note, however, requesting that we desist from undertaking security investigations of American nationals employed in UN agencies in Geneva.

Spain

United States prestige in Spain has not declined and has remained substantially unchanged during the past twelve months. A major recent factor in this situation has been the highly favorable reactions to the visits of the United States Sixth Fleet to Spanish ports. On the other hand, there has been some disappointment over the long delay in the base negotiations and over President Eisenhower's failure to exercise the dominant leadership which the Spaniards expected as the result of associating his role in their minds with that of General Franco.

Basically, the Spaniards' attitude toward the United States is conditioned by their view of Britain and France as decadent countries, contrasting sharply with the United States, which they regard as the Western world's main present hope.

Canada

American prestige has apparently suffered a small to moderate decline in Canada during the past year, particularly since January. Canadians, fully conscious of their natural close association with the United States, are all the more sensitive about retaining their national identity and about Ottawa's diplomatic support being taken for granted in Washington.

During the past year they have been increasingly sharp critics of the course of American international leadership. Considering themselves a bridge between Britain and the United States, many Canadians have taken particular alarm at the apparent rise in Anglo-American friction. Though often in postwar years adopting an American rather than a British stand on such questions as the recognition of Communist China, Canada in the past twelve months has taken the British side on virtually all divisive issues.

Many Canadians have criticized Washington as being insufficiently imaginative and flexible in its search for peaceful solutions of East-West problems. American conduct of the Korean war and truce negotiations frequently caused uneasiness. The American opposition to the seating of India at the post-armistice political conference, a proposal co-sponsored by Canada, evoked sharp criticism even in normally friendly papers. Other issues which have disturbed people in Britain have agitated Canadians to a somewhat lesser degree.

A special consideration in recent months has been a Canadian fear that the Republican administration is moving toward increasingly restrictive trade policies to the detriment of cross-border trade on which Canada's prosperity largely depends. Continued inaction on the St. Lawrence seaway project also tends to lower American standing.

[Tab B]

II. Far East and Western Pacific

Japan

American prestige in Japan reached a peak in 1947 and since that time has experienced declines and upsurges. Although the US enjoys less prestige today than in 1947, the decline, while noticeable, has not been serious; rather, it represents a readjustment from the high point following the military victory in World War II and the subsequent benevolent occupation policies. There has been no concomitant transfer of prestige to another power. A majority of the Japanese people look to the United States for protection and aid.

American prestige competes with growing Japanese nationalism, which is sensitive to any infringement of Japan's sovereignty or interference in affairs which the nation considers its own responsibility. Nationalistic sentiment has been responsible for the popular concept that Japan is an unequal partner in the Japan–United States relationship. The Japanese resent any "big brother" attitude, any statements that the United States regards Japan as a source of manpower for defense against the USSR, and any implication that the United States is formulating a defense plan for the Japanese to implement.

The necessity to subordinate the occupation's original democratic reforms and pacificism to the demands of security against communism has tended to alienate the intelligentsia, who wield an influence in information media that is disproportionate to their numbers. Nationalistic sentiment creates a belief that existing Japanese-American treaty relations were negotiated under occupation coercion and represent a continuation of that type of control and subserviency. To the sensitive Japanese, the exercise of criminal jurisdiction by the American forces represents a grant of extraterritoriality and implies that the United States is unwilling to accord Japan a status equal to that of our other allies. In addition, continued use of facilities that were prominent landmarks of the occupation tends to emphasize that the peace treaty did not remove all vestiges of foreign control.

The presence of large numbers of American troops engenders cultural conflict. American behavior patterns which differ from those of the Japanese in many social relationships and the obvious difference in standards of living arouse Japanese resentment and create suspicion that Americans consider the Japanese inferior.

United States trade policy probably is the crucial economic issue involved in declining American prestige. Japan sees in the US decision to refrain from major tariff negotiations a block to Japanese accession to the General Agreement on Tariffs and Trade, which prevents Japan from gaining an enlarged market among the free nations. Concurrently, the Japanese feel the United States is also blocking trade with China which many businessmen feel offers the only alternative hope for achieving a self-sustaining economy.

Japanese trade circles have been alarmed by US moves to increase the tariff on imports of Japanese tuna and silk scarves. Despite the favorable effects of the longstanding "most favored nation" treatment of Japan by the United States and the reciprocity provisions of the recently ratified commercial treaty, the Japanese tend to doubt the sincerity of American "free trade" pronouncements.

The Japanese have some reservations regarding American qualifications for dealing with orientals. This general attitude has been indicated in Japanese proposals for Japanese-British-American talks on Far East problems, approaches on participation in the Korean political conference, and intimations that Japanese businessmen might develop trade with Communist China to the advantage of the free world.

The import of American base requirements on Japan's limited resources naturally produces local irritations which are exploited by leftist elements. However, such conflicts do not represent any irreconcilable issues, despite the loud public clamor.

Although American prestige currently appears to be at its lowest ebb, the level does not appear to be serious. The recent promise to return part of the Ryukyu Islands may mark an upward turn in Japanese esteem for the United States.

During the past six months there has been a significant increase in the overt expression of anti-American sentiment in Japan. Much of this arises from Communist and other left-wing exploitation of local opposition to American military bases. In June adverse reporting and comment on the American security forces reached a post-occupation high, bases being the major targets.

A newspaper opinion poll in June showed that 35 percent of the respondents favored a pro-American policy for Japan, a decline of 20 percent from the previous year. At the same time 47 percent desired an early departure of American forces while only 27 percent wished them to remain.

South Korea

Public opinion in South Korea normally lies dormant and takes form only when purposefully stimulated from above. It currently tends to follow the lead established by President Rhee, who maintains close supervision over all sources of information and does not permit opposing viewpoints to arise. American prestige in South Korea thus rises and falls in direct relation to the president's attitude toward American policy at any particular time.

While US prestige has dropped in recent months because of what has been interpreted as American unwillingness to inflict a complete defeat on the Communists, the extent of this decline is not serious. The public demonstrations against the cease-fire were staged by the government and lacked real enthusiasm. They showed no popular resentment toward the US and resulted in no violence against Americans. Moreover, despite the divergent attitudes toward the armistice, the overwhelmingly pro-US sentiment among the South Korean leaders is still basically unaltered.

The loss of China to the Communists marked the first noticeable decline in American prestige in Korea since World War II. It rose to new heights following the American intervention in 1950 and following the Inchon landing, but declined again with the start of the truce talks in mid-1951.

President Rhee, and thus most Koreans, interpret America's willingness to conclude a truce on the 38th Parallel as a surrender to the Western European nations which have influenced the US toward a policy of appeasement of the Communists. While the truce and the loss of China to the Communists are the only adverse developments which have significantly affected American prestige in Korea, there have been a number of irritants in US-Korean relations which have made inroads on the reservoir of good will built up toward America over the years. These include:

(a) American responsibility for the Japanese surrender arrangements which led to the division of Korea;

(b) The statement of Secretary Acheson in the spring of 1950, defining the American outer defense as excluding Korea. Many Koreans believe this statement brought on the war;

(c) Failure of the US to provide South Korea with heavy equipment prior to the attack by the North Koreans;

(d) Friction between US occupation personnel and Koreans, and discontent over many rigid occupation policies;

(e) American policy in the early years of NATO emphasizing Western Europe as the key to successful defense against Soviet attack, and as better able to utilize American aid than Asia;

(f) Failure of the US to make prompt settlement for the money advanced to the UN forces in 1951 and 1952;

(g) American emphasis on the reconstruction of Japan and the procurement in Japan of items necessary for the Korean war;

(h) President Eisenhower's campaign suggestion for replacing US troops by Asians. A public opinion poll taken in Pusan by the government during the Eisenhower visit, probably not completely reliable, showed that 83 percent were opposed to replacing US with Korean troops;

(i) Alleged failure of the US to consult in advance with South Korea on decisions taken at Panmunjom.

American prestige reached its lowest ebb in June and July 1953, following the 25 May proposal to the Communists which reversed the earlier stand that the anti-Communist Korean prisoners must be released in South Korea. In these months Rhee publicly accused the US of following appeasement policies, of bad faith in our commitments to South Korea, and openly questioned our motives.

American prestige has recovered somewhat since July by the strong stand taken against India's participation in the Korean political conference, by insistence that the USSR participate on the side of the Communists, and by reassurances against future Communist aggression as demonstrated by the proposed US-South Korean Security Treaty. A measure of good will has also been recovered by US promises of military and economic aid, by Secretary Dulles' consultations with President Rhee, and by our consideration of South Korea's views on reconstruction planning.

Rhee has been influenced by extremist advisers such as Foreign Minister Pyun and Provost Marshal General Won, and his past tactics in dealing with the US have consistently been to increase his demands once a concession was granted.

Formosa

Since the establishment of the Chinese National Government on Formosa in late 1949, American prestige with the most important groups on the island has varied appreciably, being primarily affected by the progress of the UN military effort in Korea and American policies regarding Communist China and Formosa. During the current year American prestige on Formosa has been enhanced.

American prestige among the Chinese Nationalists was low during and immediately after the Nationalist retreat from the mainland, when Formosa itself was threatened. It increased sharply in June 1950 after the United States had taken the lead in resisting Communist aggression in Korea and had committed the 7th Fleet to the defense of Formosa. It steadily improved further with UN successes in Korea during the next several months, but declined with UN reverses following the Chinese Communist intervention in late 1950. It remained fairly stable during the period from the beginning of the truce talks to late 1952, at which time it began to rise in the light of indications of increased American support for the Nationalist cause. American prestige with the Nationalists has fluctuated during 1953, but it is now rising and appears to be at its highest point in several years.

The three principal groups on Formosa to be considered are the Chinese Nationalist leadership and the pro-Nationalist majority of the 2,000,000 Chinese who came with it from the mainland; the much smaller group of anti-Communist Chinese who are opposed to the current Nationalist leadership; and the 8,000,000 native Formosans, who are generally anti-Communist and anti-Nationalist. American prestige has been affected by different considerations for each of these groups.

Nationalist leaders and the bulk of their followers believe that the United States failed to see the dangers presented by the Chinese Communists after World War II, failed to support the Nationalists on a sufficient scale in those years, failed to accord the Nationalist leadership sufficient respect as an ally, and failed and still fails to adopt a sufficiently aggressive policy toward Communist China. These beliefs are outweighed, however, by Nationalist recognition that the United States is the leader of the free world, that Nationalist China is heavily dependent on the United States for its continued existence, and that Nationalist prospects for returning to the mainland depend completely on the United States. For these reasons American prestige has remained high despite Nationalist disappointment with American policies toward China in recent years.

The anti-Communist group which is opposed to the Nationalist leadership tends to blame the United States for not having had greater successes in reforming Chiang Kai-shek's government, for providing Chiang with support without adequate guarantees as to its use, and for failing to support an anti-Communist and anti-Nationalist "third force." Like the Nationalists, however, this group recognizes American leadership of the free world, believes that

American leaders are in sympathy with many of its views, and is aware that its position would be much worse than it is if American influence were removed from Formosa.

The native Formosans, most of whom would reportedly prefer Japanese to Chinese rule, tend to blame the United States in part for permitting the Nationalists to take over the island after World War II, for Nationalist misrule of Formosa at that time, and for the small Formosan share in the island's government now. On the other hand, they recognize the American contribution to the defense and economy of the island and give the United States much of the credit for the great improvement in Formosa's government in the past three years.

During 1953, American prestige with the Nationalist leadership, the most important of these groups, has had both declines and rises. The declines have been due to such matters as Korean truce issues, rumors of a contemplated UN trusteeship over Formosa, and the American effort to evacuate Li Mi's forces from Burma. The rises have followed the change of mission of the 7th Fleet in early February, a growing Nationalist belief in increasing American sympathy with Nationalist objectives, such developments as the appointment of a pro-Nationalist US ambassador, an acceleration of American military aid to Formosa, the arrival of jet aircraft, continued American encouragement of Nationalist raids, American statements regarding China's seat in the UN, the status of Formosa, and sanctions against Communist China, and other verbal and material indications that American policy involves increased support of a more aggressive Nationalist policy.

The Philippines

American prestige in the Philippines is probably as high as anywhere in the Far East, although some disillusionment among Filipino intellectuals has been reported with regard to American policy toward China and the long Korean stalemate and subsequent armistice. The occasional bitter attacks on US policies by some elements have usually been motivated by domestic politics or a desire to assert Philippine independence and affinity with Asian interests and is not symptomatic of growing ill will toward the United States.

Criticisms of complex and allegedly poorly administered US programs, such as the disposal of war surplus property and settlement of war claims, have been more than offset by a steady improvement in Philippine security and progress in economic recovery and stability, accomplished with American advice and assistance. Filipinos in general continue to show enthusiasm for United States techniques, institutions and civilization. Moreover, most Filipinos have always recognized their dependence on US military strength and leadership in the Pacific area.

United States prestige in the Philippines, however, will be severely tested by the success or failure of the democratic processes in the coming Philippine elections. If the Quirino administration retains power through fraud and violence, the United States will undoubtedly bear much of the blame. An honest election, however, will enhance American prestige.

Thailand

In Thailand, where the stigma of colonialism has not been a major influence, American prestige has remained high since the end of World War II. Thai friendliness was greatly increased this past spring when the American military aid program was accelerated as a result of the Viet Minh invasion of Laos. While the Thai occasionally show irritation over relatively minor incidents, it is unlikely that the esteem with which the United States is widely held will decrease within the foreseeable future.

The great majority of the Thai people are farmers and have little interest in international politics. They are, however, gradually becoming aware of the results of the various American aid programs.

The small, politically articulate segment of the population, concentrated largely in Bangkok, is also favorably disposed toward the United States. Political opposition groups tend to resent the increase of the ruling military junta's power through American aid, but there is little evidence that this sentiment reflects a basically anti-American bias.

The Phibun regime has always aligned itself closely with the United States and has almost invariably supported American foreign policy. Although this orientation undoubtedly contains a substantial measure of opportunism, there is evidence that important leaders are developing a genuine friendship for the United States and are increasingly aware that Thailand's survival can best be assured by a strongly pro-US policy. There is occasional irritation over specific American acts, as in the case of the recent decision not to support the foreign minister for the UN General Assembly presidency and in what the Thai feel is failure to consult them on matters of Southeast Asia defense. These irritations, however, are not deep-seated.

The increasing Thai tendency to look to Washington for the solution to all problems is potentially embarrassing. Such a tendency increases Thai vulnerability to Communist propaganda blaming the United States for the world's economic problems and could assume serious proportions should the current downward trend in the price of Thailand's chief exports have a significantly adverse effect.

Despite their apparent feeling of dependence on the United States, the Thai are a proud people who resent criticism and condescension. They especially resent magazine and newspaper articles depicting Thailand in comic opera terms.

Indonesia

American prestige in Indonesia was high in 1948 and 1949 when the United States supported Indonesia's struggle for independence. It decreased, however, immediately after independence was achieved in December 1949. Indonesia adopted a defensive attitude toward the United States, fearing that the price of American help would mean inclusion in the Western bloc which would be inconsistent with its "independent" foreign policy.

American prestige reached its low ebb in February 1952 when the cabinet fell over the issue of commitments for US assistance, in which it was charged that the aid agreement violated their sovereignty. Concurrently, a sudden decrease in the price of rubber, Indonesia's principal export, was blamed on the United States.

US prestige rose slightly in January 1953, as manifested by an Indonesian acceptance of a revised agreement for American economic and technical assistance. The Indonesians viewed this development as a diplomatic victory and good will toward the US was enhanced. During the past six months, there has been no perceptible change in US-Indonesian relations despite the installation of a Communist-influenced cabinet on 1 August.

Many articulate Indonesians' attitude toward the United States is conditioned by fear of foreign encroachment and they regard the United States as a powerful nation which would, if it could, draw Indonesia into its own power bloc. The deep consciousness of newly-won independence makes the majority of politically conscious Indonesians suspicious of US motives and susceptible to allegations of US imperialistic intentions. On the other hand, those Indonesians who are friendly toward the US have been concerned that national expressions of friendship toward America would bring reprisals from both internal and foreign Communists.

The recent establishment of a Communist-influenced government may force non-Communist elements into a position of open opposition to the Soviet bloc. The strategy of the new government, however, appears to be one of outwardly following a moderate course in order to avoid vigorous opposition while at the same time pursuing a policy of quiet infiltration of its supporters throughout the government, the army, and the police. Such a development portends a dangerous change in Indonesia's attitude toward the United States.

Throughout the period of independence, American prestige has suffered somewhat from the criticism of the Dutch who hold a few advisory positions in the Indonesian government, and from the extension of Washington politics to Indonesia as shown in the rivalry among US agencies in Indonesia. This rivalry has not only damaged the US position but has permitted the Indonesians to play one agency off against another.

A minor factor contributing to decreased US prestige is the behavior of various American businessmen and government employees. The unethical standards of certain of the former and the social isolation of the latter are primarily responsible in this respect.

[Tab C]

III. NEAR EAST AND SOUTH ASIA

Egypt

A general decline in American prestige in Egypt dates from the Palestine War of 1948 and US support for the establishment of Israel. While the effects of the United States' close identity with Israel continue, American influence in Egypt has increased since the military regime assumed power in July 1952.

The young, inexperienced rulers of Egypt soon realized that the future of their regime depended on obtaining extensive foreign economic and military assistance, which the United States alone could supply. Reliance on the United States for advice and the hope of support, both moral and material, have been important factors in increasing the American influence among the Egyptian leaders.

The populace and press, however, have remained generally critical of the United States, particularly when it is identified with British and French interests or when it lends support to Israel. The press and official spokesmen, speaking for popular consumption, have attacked the United States for its failure to "make" Britain accept Egyptian terms in the Suez dispute; for support of France in the Moroccan question; and for disproportionate aid to Israel.

American prestige in Egypt, which reached its lowest ebb immediately following the Palestine affair in 1948–49, has generally increased during the past six months, despite incidental rebuffs. The time is approaching, however, when the Egyptian regime may insist on positive evidence of the United States' professed interest. The military leaders wish to build up their armed forces and look to the United States for military assistance. Should they feel that American military and economic aid is not adequate, these leaders may turn from the United States, and American prestige would suffer a severe setback.

The current favorable attitude of the military regime toward the United States affords an opportunity to extend American influence in Egypt and indirectly throughout the Near East.

Lebanon

American prestige, which suffered a serious setback in Lebanon and the other Arab states during the period immediately preceding and following the establishment of Israel in 1948, has improved to some extent in recent years. This improvement became particularly noticeable after the advent of the new administration in Washington, with its declared policy of treating the Arab nations on a par with Israel. American influence, however, is not yet close to the high level it enjoyed in the World War II era before the United States became involved with the Palestine issue or subsequently with the Iranian, Egyptian, and Moroccan questions.

Lebanese elation over the Eisenhower election has diminished in recent weeks as a result of disillusionment over American failure to implement what the Lebanese had hoped would be a new pro-Arab policy. In particular, the Lebanese have expressed suspicions over the American stand on the internationalization of Jerusalem, and they oppose US backing of France on the Moroccan issue. Criticism of the United States has long been evident in the neutralist and leftist press as well as in the Arab refugee camps, but many government officials, and even such pro-West leaders as Charles Malik, have periodically opposed American policies in the Near East.

Lebanon's small size and geographic position in the Arab world have often forced the government to follow the anti-Western line of the larger Arab states or of the Arab League, even when the Lebanese, some 50 percent of whom are Christians, have privately favored a pro-Western policy. General Arab misunderstanding has also caused the Lebanese to become impatient with the American long-term aid programs.

Greece

There has been a slight but significant drop in American prestige in Greece during the past year. Greek officials have privately criticized decreased American aid without concurrent cuts in Greek defense expenditures.

The previous Liberal–EPEK government asserted that the reduction in American aid made it necessary to put into effect some unpopular economic and financial restrictions, thus blaming the United States for the measures. The Papagos government has not resorted to these tactics and has presented unpalatable reforms as necessary if Greece is to become more self-sufficient. As Greece recovers some stability, officials are reluctant to accept detailed American guidance, a situation caused in part by Papagos' assertions that Greece must stand on its own feet.

In addition, there appears to be some feeling in Greek government and intellectual circles that Senator McCarthy is attacking traditional American liberties, that he is inhibiting the pursuit of announced policies, and that he may force a return to American isolationism.

In the press, most of the criticism of the United States is related to domestic political issues. Pro-government papers usually follow the line that continued American aid indicates American support for Papagos; anti-government papers take the view that his failure to get more aid indicates his inability to govern Greece successfully. It is probable that occasional articles, more or less critical of American policy toward Greece, have been planted by individuals now in the government in an effort to persuade the United States to change some aspects of its Greek policies.

The degree to which the press is pro-American depends on the political beliefs of the editor or owner and on expediency. Newspapers speaking for the Communist-dominated EDA party are consistently critical of the United States. The more sensational newspapers occasionally print articles setting forth American criticism of the Greek government or the royal family.

On the whole, the Greek public opinion is overwhelmingly pro-American. Long association of the people with United States—particularly through immigrant contacts, private remittances to Greece, and more recent American governmental economic and financial aid—has raised the prestige of the United States to a high level.

Some provincial criticism has resulted from the feeling that the United States has permitted too much American aid to go to the cities and from the belief that the administration of this aid has been placed in incompetent, dishonest Greek hands. Certain elements of the population such as the tobacco workers have been displeased by American failure to aid Greece to sell its large tobacco surplus. This Greek failure to sell its tobacco has produced genuine hardship and provided fertile ground for Communist exploitation.

An additional factor affecting American prestige and reflecting adversely on the United States comes from errors in judgment made by individual Americans. They show an ignorance of Greek sensitivities and, by attempting to describe all phases of American life, often do so in an unbalanced manner.

The cumulative effect of all these factors has resulted in a slight decrease in American prestige, especially on the official level where the reduction in aid produces the most reaction. There is no indication that this decline will affect internal Greek policies except to produce reluctance among officials to accept detailed American guidance. The Greek government, however, will continue to support the United States on all major international issues.

Turkey

American prestige in Turkey is being sustained at a high level. There has been no significant variation for many months, and there is apparently complete accord on all matters of substance. There is currently no important body of anti-American opinion in Turkey nor any indication of an incipient neutralist attitude.

There is no evidence in either official or popular circles to suggest a probable future decline in American prestige in Turkey. Spokesmen for both the government and its opposition, Turkish press editorials, and radio comment reflect the high degree of prestige accorded the United States and its representatives in Turkey and approval of basic American foreign policy. Government representatives have displayed a cordial attitude and have stated their desire to cooperate fully. In the opening debate before the Grand National Assembly on the budget for 1953–54, leaders of both parties reaffirmed their solidarity on issues of foreign policy.

President Eisenhower's foreign policy address on 16 April was well received by the majority of the Istanbul and Ankara newspapers where editorial reaction was generally favorable. Public and press reaction to Secretary Dulles' visit to Turkey was highly satisfactory, reflecting Turkey's solidarity with the United States on all major issues.

Turkey shows a genuine interest in the United States and appreciates the economic and military assistance which it has furnished. There has, however, been some minor criticism of ECA information methods as too blatant and spectacular.

One reason for the basically favorable Turkish attitude toward the United States is the fact that the Turks do not regard themselves as the recipients of American largesse. They feel that they are making a more than equal contribution to the American-Turkish "alliance," and hence do not harbor the resentful attitude which sometimes develops in a debtor country toward a major creditor. Turkey acknowledges the indispensability of American aid and its heavy dependence on American military guidance.

An adverse effect on public opinion of the inevitable decline in military and economic aid to Turkey is a potential source of friction. As long as aid persists, American prestige can be expected to remain high. Once the flow of arms and money is cut off, a reaction will undoubtedly set in which will be reflected primarily in the press and among the political leaders. It is not expected, however, to disturb the esteem in which the public holds the United States.

The primary American objective in Turkey is to retain the conviction among the people that the United States is the center of the free world which will remain constant, and that their adherence to this free world will benefit Turkey.

India

American prestige in India, which was probably at its highest point in 1947 when India became an independent nation, had declined materially by about 1950 and since then has fluctuated within relatively narrow limits. It is currently experiencing a setback, caused primarily by American opposition to India's views on the Korean question and by the withdrawal of Ambassador Bowles from New Delhi.

During World War II, the United States had proved itself to be the world's mightiest single nation industrially and militarily. Indians were impressed and hoped, with American encouragement, to emulate its example. The diminution in American prestige resulted from strains imposed by Indian nationalist attitudes and aims, hesitant and apparently inconsistent American policies, and divergent views on world problems. These frictions have only occasionally been lessened by forthright expressions of American opinions or by an acquiesence to Indian desires.

Possibly the most important factor adversely affecting American prestige has been Indian nationalism, developing out of the country's recent experience as a dependent of Britain. This has taken the form of an exaggerated sense of pride and independence, an over-emphasis on equality with other nations, a sensitivity to color bars, extreme dislike of criticism and advice, and an intense urge for world recognition.

In foreign relations this nationalism has become manifest in Prime Minister Nehru's concept of an Asian "Third Force" or neutral bloc under Indian leadership, as well as in his insistence that India remain aloof from both the East and West. It was also obvious in India's desire to sign a separate peace treaty with Japan. The belief that American policy has refused to recognize and support emerging Asian nationalist movements such as those in Communist China, Indochina and Iran has created ill will, especially on the part of Nehru and the press. The failure of the United States to recognize India as the spokesman of non-Communist Asia, as illustrated by its opposition to Indian participation in the political conference on Korea, has produced additional bitterness. Finally, Indian rivalry with Pakistan caused violent outcries in Indian government and press circles when, early in 1953, Pakistan indicated an interest in a Middle East defense organization. Indian antagonism was aimed at the United States, one of the prime movers in this matter.

Nehru's personal dislike of materialism, as well as his feeling that Americans have little culture, has made him hesitant to accept American aid or advice. In this he is supported by other Hindu nationalist leaders, who seek a return to ancient glory along strictly Indian lines. The oriental suspicion of "something for nothing" originally made all Indians hesitate to accept American assistance. Having once determined the true nature of such aid, however, many Indians became critical of American failure to produce it in greater quantity. By 1950, frustrated by their own inability to achieve desired economic advances, many government officials and some segments of the press had turned against the United States. They accused it of not sharing its wealth adequately among the needy nations of the world. Nevertheless, American economic assistance and the granting of emergency food aid in 1951 have been effective in maintaining or temporarily increasing American prestige, particularly among the Indian people.

American actions interpreted as inconsistency in policy or a departure from announced moral principles add to Indian disrespect. The alacrity of the United States in springing to the defense of South Korea, where American security interests were obviously at stake, as opposed to its unwillingness to support the peoples of Morocco against what the Indians consider to be French aggressive action is a case in point. America's failure to come to the aid of colonial peoples is attributed to a fear of offending its traditional allies. The United States' success in keeping India out of the political conference on Korea and its efforts to keep Communist China out of the UN are also taken as evidence that it is interested primarily in power politics. Suspicion of American involvement in supplying Nationalist Chinese troops in Burma casts doubt on American integrity.

Basically divergent views held by India and the United States on world problems constantly cause friction between the two countries. Prime Minister Nehru, who is primarily responsible for India's policy of neutrality, thoroughly dislikes continuous American attempts to swing his allegiance to the Western bloc. He, like many other Indian leaders, believes that the United States is dominated by an almost hysterical fear of Communism rather than a reasoned opposition to Soviet imperialism. Many Indians hold the United States equally guilty with the USSR for the present state of world tension, and they cannot understand American failure to respond to Soviet "peace" propaganda backed up, as in recent months, by apparently tangible demonstrations of peaceful intent.

Prime Minister Nehru, who claims to desire world peace despite his somewhat aggressive activities in South Asia, expresses fear that US aggressiveness or overconfidence will lead to World War III. The advance to the Yalu River in North Korea, the February 1953 announcement that the US Seventh Fleet would no longer protect the Chinese mainland from Nationalist attacks, and American insistence on demonstrations of Communist good faith before concluding an armistice in Korea have all been cited by Nehru as reasons to lose patience with the United States.

On the economic level, many Indian officials have concluded that the United States overemphasizes aid to Europe as opposed to the less developed countries of Asia, and is motivated less by humanitarian principles than by a desire to aid its allies.

Some American actions temporarily raised American prestige in India. The personal interest taken by former Ambassador Bowles and by some American visitors and students in Indian history, aspirations, and activities serves constantly to maintain friendly relations on both government and popular levels. The ambassador's recognition of the Indian viewpoint, even when differences with the United States existed, demonstrated to the Indians a basic frankness and honesty of approach. The present American support for Madam Pandit's candidacy for presidency of the Eighth UN General Assembly will undoubtedly create good will among the Indian people, though its timing may lead the government and press to conclude it is an antidote for opposition to Indian participation in the Korean conference.

[Tab D]

IV. LATIN AMERICA

Brazil

American prestige in Brazil has declined to some extent since its peak period during the last years of World War II, but there has been no marked decrease during the past year. The armistice in Korea has had little effect on American prestige. Senator McCarthy's activities have attracted comparatively little attention.

Washington's policies on economic assistance to Brazil, rather than on larger East-West issues, have been the main determinants of America's standing in the country. The Brazilians have felt that as the United States' best Latin American ally during World War II they should have received more economic help from the US after the war. Relations probably reached their lowest ebb in June 1953 when the US was severely criticized for taking steps to close the Joint Brazil–US Economic Development Commission. Although the Commission was merely going out of existence on schedule, many Brazilians seized on the closing as symbolic of lack of American interest in lending financial aid to Brazil.

In Brazil prestige of the United States as a world power has suffered no important change during the past year. Press attitudes remain generally unchanged, and the absence of any strong anti-Communist line is probably due basically to the fact that Brazil feels that the US can deal with the USSR and that Communism is therefore no menace to Brazil. Even in this most internationally-minded of the Latin American countries, Communists and ultranationalists were able through their propaganda to prevent the dispatch of Brazilian troops to Korea, in spite of urgent pleas from Washington.

Two basic causes of anti-US feeling in Brazil do, however, continue to be successfully exploited by the Communist press which consists of at least 25 regular publications. These two causes are envy of wealth of the United States and dislike of its reputed racial discrimination, which offends Brazilians with their century-long tradition of racial tolerance.

Favorable influences on US-Brazilian relations in recent months have been the granting of the $300,000,000 loan by the Export-Import Bank to reduce Brazil's commercial backlog, the visit in July of several US naval vessels to Brazilian ports and the visit of Dr. Milton Eisenhower.

Argentina

American prestige in Argentina which has been low for many years, has improved during the past year, and especially since the visit of Dr. Milton Eisenhower in July. It has never been as high there as in other Latin American countries. Buenos Aires official attitude toward the United States has been adversely affected by the comparative absence of important trade relations and by fifty years of rivalry for leadership in the hemisphere.

Improvement in the United States' standing in Argentina commenced shortly after the death in July 1952 of Senora de Peron, who reportedly had been the strongest proponent of a sharply anti-American policy. After her death, anti-American propaganda tapered off and finally disappeared in January 1953 reappearing briefly in early May when Peron was convinced by anti-US elements among his advisers that the United States was behind the Buenos Aires bombing incident of 15 April.

During the last six months, American prestige has risen markedly, especially in government circles. Peron apparently decided during the latter half of 1952 that he had more to gain through friendship with the United States than through anti-Americanism. Also, with the change of administration in the United States, Argentina was able to use the face-saving device of saying that its quarrels had been with the Truman administration, not with the United States as a whole.

Thus the government prepared the public for the attitude of sympathetic expectancy adopted six months ago and of official friendliness adopted in July and characterized by the new press line, "Welcome Dr. Eisenhower! The Argentines Wipe the Slate Clean." Dr. Eisenhower's recent statement that the United States should in no way interfere in Latin America's internal affairs was quoted in the controlled press of Argentina as indicative of a more sympathetic understanding by the American administration and inevitably leading to improved relations between the two countries.

Chile

Chile's copper problem has been a major factor in the decline in US prestige and popularity since 1950. Both governments have been intimately involved in the problem since two American companies control Chile's largest copper mines and the US has been the major importer of the metal, which is the leading source of Chile's revenue. Chileans have long resented "exploitation" of their resources, and they took particular exception to the 1951 US-Chilean copper agreement by which the US was able to buy 80 percent of the large companies' production at a low price at a time when Chile could sell copper at high prices to non-US buyers.

American popularity in Chile declined rapidly in the two-year period of campaigning prior to the election of President Ibanez in September 1952 and reached a low point immediately prior to his election. The immediate cause was political opportunism which anticipated the presidential election, and criticism of the unpopular pro-American administration of Gonzalez Videla was tailored to include the United States itself.

Public dissatisfaction, aroused by the inability of the Gonzalez administration to cope with serious inflation, provided fertile ground for the proposal of extremist solutions to Chile's problems by the supporters of Ibanez and the Communists, who were allowed almost complete freedom of activity. To a large extent the US was blamed for Chile's economic problems, and demands were made for a denunciation of the US military assistance agreement, and for nationalization of American copper companies in Chile.

American popularity in Chile appears to have recovered partly since the inauguration of Ibanez in November of 1952. The relatively friendly attitude of his government toward the US, in sharp contrast to the campaign, has been largely responsible for the recovery. If a solution of Chile's current copper problem is worked out with US assistance, there should be further recovery of US prestige.

Most Chileans are basically pro-American today, and identify themselves with the US causes in the East-West conflict even though they reject the idea of participation in any possible war. They admire the American democratic process and industrial achievements. The apparent lowering of US prestige and popularity in Chile probably results from the Chilean desire for economic independence, the unsettled nature of the country today, and the acceptance of extremist propaganda. Other such factors include certain working class resentments at the large US-owned copper companies, and a continued tendency for Chilean intellectuals to look to Europe for their cultural standards.

Also, Chileans see themselves as one of the most advanced nations of South America. Increasingly as a result of severe economic pressures, they therefore feel entitled to large-scale US financial assistance. Chileans do not understand why American aid to Europe and Asia appears to take precedence over assistance to them. What is interpreted as US disinterest in Chile's problems has caused some Chileans to begin to distrust American motives. This feeling may in effect be causing permanent damage to US prestige in Chile.

Peru

American prestige with the ruling Peruvian upper class has generally remained on the high level it reached during World War II when it became clear that the US was on the winning side. It declined somewhat in 1952 as a result of a proposed tariff increase on tuna, and more recently because of proposed tariff increases on lead and zinc. To date, however, technical assistance grants, Export-Import Bank loans, and other forms of material aid have served to balance temporary displeasure in Peruvian official circles.

Among the Peruvian people generally, however, there has been a slow decline in American prestige and pro-US sentiment. The people do not have a feeling of unity with their government or with the upper class which dominates the government. Therefore cooperation with the autocratic Peruvian government has caused US reputation as a democracy to suffer among the Peruvian lower classes. Prestige of the United States as a world power is of far less importance to the Peruvian people than to government circles.

Anti-US propaganda in Peru has come from Communist, Peronist, European, and American Popular Revolutionary Alliance (APRA) sources. Until less than a year ago, Communist propaganda was given a free hand and even financial aid by the government on the condition that the Communist line be followed only on international affairs and that in domestic matters the Peruvian government would be supported. Peronist anti-US propaganda also had some, although much less, effect up to the cessation of its anti-US line in the summer of 1952. The propaganda of APRA, the only mass supported political party in Peruvian history, took a pro-US line during World War II, but its origins in Yankee-phobia have shown some tendency to re-emerge since the war.

Panama

In the Republic of Panama, United States prestige has probably remained constantly high over the past years, despite periodic irritations over specific issues. The great majority of Panamanians look to the United States for leadership in international affairs and for economic and technical aid, and they attempt to emulate United States political institutions. Most Panamanians are genuinely proud of the close association of their country with the United States.

Panama, however, has been affected by the post-war nationalistic trend particularly prevalent among politically weak and economically under-developed countries. While this has probably not yet significantly affected the Panamanians' basic respect for the United States, it has made them quick to attack, sometimes violently and irresponsibly, any US policy which they feel adversely affects the sovereign rights or economic well-being of their country.

In late 1947, efforts by the United States to reach an agreement with Panama on continued occupancy of defense bases on Panamanian territory became a violent political issue, and antagonism against the United States ran high. The Panamanian National Assembly rejected the proposed agreement when demonstrators successfully intimidated the deputies. In spite of the serious harm done to Panama's economy by the immediate United States withdrawal from the bases, few Panamanians have been consistently critical of the radical and ultranationalistic groups who were basically responsible for the situation. On the contrary, the United States is often made responsible for the current economic depression in Panama through alleged violations of the Canal Zone Treaty.

Feeling against the United States again became strong during March and April 1953. Newly-elected President Jose Antonio Remon, who had always shown a firm friendship for the United States, initiated a campaign for revision of the United States-Panama treaty which regulates relations between the Panama Canal Zone and the Republic of Panama. Alleged US violations of the treaty were given considerable space in the Panamanian press, and the United States attacked for allowing commercial activities in the Canal Zone to compete with Panamanian business and discriminating against Panamanians in the Zone.

Mexico

After World War II, US prestige began its decline from the peak reached in the era of the Roosevelt Good Neighbor policy, and finally hit a relatively low point prior to the Mexican presidential election of July 1952. The electioneering at that time again brought to the surface the historic undercurrents of anti-Americanism in Mexico as well as the varied irritations over cattle imports, migrant labor and shrimp fishing caused by the proximity of the two countries.

Aside from memories of past conflicts, a major cause for the decline in US prestige in Mexico since World War II has been resentment over the comparative lack of financial assistance to Latin America, as compared with large-scale US aid to other areas. Many Mexicans who had been particularly impressed by Roosevelt's interest in Latin America feel that with his death the Good Neighbor policy had ended. Mexican disillusionment with the US was quickly exploited by Communists and ultranationalists, who called for radical solutions to US-Mexican problems.

The anti-Americanism of the Mexican presidential election period appears to have been tempered by the election of President Eisenhower. The coming 19 October meeting of Eisenhower with President Ruiz Cortines to inaugurate the Falcon dam, built through Mexican-US cooperative effort, has caused the Mexican press to express hope that this meeting may be a significant step in the development of a favorable US policy toward Mexico. Similarly, the visit of US Assistant Secretary of State Cabot last spring, the defeat of the protectionist Simpson bill in the US Congress, and the trip of Dr. Milton Eisenhower to South America were viewed with encouragement by Mexican public opinion.

OCB files, lot 61 D 385, "Prestige Project"

Memorandum by the Counselor (MacArthur) to the Under Secretary of State (Smith)

SECRET [WASHINGTON,] September 22, 1953.

Subject: Draft PSB Report.

Attached is the draft report [1] concerning the status of U.S. prestige abroad, developed by the PSB working group consisting of Mr. Amory (CIA), Mr. Rand (FOA), Admiral Smith (OSD), Mr. Morgan (PSB), and myself. I understand this report will be considered at the OCB [2] meeting on Wednesday, September 23, at 12:30 in Mr. Allen Dulles' office.

The contents of this draft have been reviewed by Messrs. Cabot, Bonbright, Byroade, Bowie, and Johnson. Its general content has received their strong endorsement. They proposed a few additions and revisions which I have transmitted to George Morgan and which are being issued in the form of a proposed corrigendum to the OCB members (corrigendum attached [1]).

There is one specific point which I should bring to your attention. When the Board meets, I understand the Department of Defense will question the desirability of including paragraph 8 *e* (page 7) of *Recommendations* of the attached report. This paragraph was originally included in order to stress the importance, from a political and psychological standpoint, of undertaking early efforts to eliminate the "gap" between existing NATO defense requirements and the actual defense efforts which the U.S. and other NATO countries can reasonably be expected to make during the next several years. The fact that the presently agreed level of military requirements is quite unrealistic in terms of political-economic capabilities is a matter of general knowledge, and has produced doubts in certain quarters about the entire NATO program. It is quite natural that the Department of Defense should prefer to define military requirements purely in terms of military considerations, without regard to current economic, political, and technical capabilities. One can understand their objection to any procedure which suggests "tailoring the coat to fit the cloth". However, without regard to the method by which a reconciliation between requirements and capabilities may be achieved, the members of the working group have concluded from our reports that the attainment of some kind of reconciliation just as soon as feasible is important.

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[1] Not found.

[2] The Operations Coordinating Board held its first meeting on Sept. 17, 1953, superseding the Psychological Strategy Board. For information on the establishment and functions of the Operations Coordinating Board, see volume II.

If you have any comments or questions with respect to the attached report or the corrigendum, I will do my best to answer them.[3]

DOUGLAS MACARTHUR II

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[3] The Operations Coordinating Board at its meeting of Sept. 23, 1953, took up the draft paper containing recommendations to increase U.S. prestige abroad as agenda item 2 and approved it "subject to changes proposed by the Departments of State and Defense." The OCB then "Directed that in submitting the paper to the National Security Council, special security precautions be requested." (OCB files, lot 62 D 430, "OCB Minutes, I")

Eisenhower Library, files of the Office of Special Assistant to the President for National Security Affairs

Memorandum by the Executive Secretary of the National Security Council (Lay) to the National Security Council

SECRET WASHINGTON, September 24, 1953.

Subject: Reported Decline in U.S. Prestige Abroad

Reference: NSC Action No. 867 [1]

The enclosed report by the Operations Coordinating Board on the subject prepared in response to the National Security Council directive to the Psychological Strategy Board contained in NSC Action No. 867 is transmitted herewith for consideration by the Council of the recommendations contained in pages 6–10 thereof at its meeting on October 1, 1953.

Also enclosed is Annex B to the report. Annex A to the report is not being distributed.[2] However, a copy is on file in this office for reference.

JAMES S. LAY, JR.

[Enclosure 1]

Memorandum by the Acting Executive Officer of the Operations Coordinating Board (Jackson) to the National Security Council

SECRET WASHINGTON, September 23, 1953.

Subject: Reported Decline in U.S. Prestige Abroad

Reference: NSC Action No. 867

A study of the reported decline in U.S. prestige abroad is transmitted herewith for the consideration of the National Security

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[1] Same as the directive issued at the 157th meeting of the NSC, July 30, 1953, pertaining to the reported decline in U.S. prestige abroad; see p. 1466.

[2] Not found.

Council in response to the directive of the Council to the Psychological Strategy Board (NSC Action No. 867).

This study was approved by the Operations Coordinating Board at its meeting on September 23, 1953.

It is requested that distribution of this paper be limited to those persons who regularly attend meetings of the National Security Council or the Planning Board.

C. D. JACKSON

[Enclosure 2]

Study Prepared by the Operations Coordinating Board

SECRET [WASHINGTON,] September 23, 1953.

REPORTED DECLINE IN U.S. PRESTIGE ABROAD

Introduction

1. For practical purposes, our prestige may be defined as "our ability to influence other people because of their attitudes toward us, as distinguished from our ability to exert influence through the use of special incentives". Prestige concerns the weight other people give to our views in forming their own, and therefore is an important factor in determining the degree of cooperation which we can obtain.

2. Prestige is not synonymous with popularity or sympathy. However, popularity is a significant component of prestige, especially insofar as the popular vote for persons or policies favorable to U.S. interests may be influenced by the popularity of the U.S. itself. Other components of prestige include the respect which other people have for our power and success, their confidence in our intentions and our judgment and their admiration for our behavior.

3. It is impossible to gauge precisely the nebulous and fluid state of American prestige. The fabric of inter-acting causes is infinitely complex and full of intangibles. Moreover, any evaluative analysis of our prestige may contain elements of bias, and thereby risk being discounted as a disguised criticism or apology for U.S. policies and actions. Nevertheless, since an accurate appraisal of American prestige is essential to the intelligent choice of policies and tactics, such an appraisal can be valuable if approached with objectivity. The appraisal which follows claims only that partial degree of truth which results from honesty of effort and the filtering out of prejudice by participation of many minds.

4. In formulating corrective courses of action it must be remembered that many of the causes of current antipathy to the U.S. are

deeply rooted in human nature or spring from historical events that cannot be undone. The actions herein recommended are offered, therefore, in the expectation that while they should enhance the present prestige of America, they are not panaceas for all our troubles.

Analysis of the Reported Decline in U.S. Prestige

[*Note*: The following highly condensed summary is drawn from summaries (Annexes A and B) of reports on foreign attitudes furnished by American officials and intelligence officers. These should be consulted for details and qualifications essential to understanding the bald statements that follow.][3]

5. *Chronology* (Start of the decline; low point; trends in past six months—Reference NSC Action 867, questions a, c, & d):

a. Europe: The recent decline began approximately three years ago, became accelerated during the latter half of 1952 and in several important countries U.S. prestige is currently at or near a postwar low.

b. Far East: From a low point in 1949 at the time the Nationalist government was driven from Mainland China, there have been a series of sharp rises and declines in U.S. prestige. During the past six months the trend was steady until adversely affected by our stand over Indian participation at the Korean peace conference.

c. South Asia: With exception of Pakistan steady decline from 1947 which has become accelerated in India during 1953.

d. Arab World: U.S. prestige remains low, but may be recovering slightly from severe low reached at time of Arab-Israeli war.

e. Latin America: Following a sharp decline 1945–48, there was a considerable recovery by 1951 followed by renewed fall until early 1953. During past six months the decline has been arrested and in certain countries a marked improvement achieved.

6. *Current Appraisal* of our over-all Prestige by Selected Countries:

	Generally Satisfactory	Improvement Desirable	Disturbingly Unsatisfactory
Europe	West Germany Netherlands Spain Turkey	United Kingdom Austria Sweden Belgium Switzerland Greece	France Italy Denmark

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[3] brackets in the source text.

	Generally Satisfactory	Improvement Desirable	Disturbingly Unsatisfactory
Elsewhere	Korea Formosa Philippines Thailand	Canada Japan Pakistan Arab States Argentina Chile	India Indonesia

7. *Major Causes* (Reference NSC Action 867, question b; causes of lesser importance are listed toward the end of each group):

a. Europe

(1) Distrust of American leadership whether from reasons of jealousy, fear of domination, uncertainty as to our constancy and judgment, or confusion as to what our policies are, e.g. difficulty of reconciling high NATO goals with U.S. military cutbacks.

(2) Revulsion against what many think are manifestations of a dangerous anti-democratic trend in the U.S., particularly attacks on personal liberty and integrity attributed to anti-Communist hysteria; enhanced by bewilderment at the apparent failure of the Administration to clarify its position convincingly. The attitudes described in (3) and (5) below are aggravated by this revulsion.

(3) Increased feeling that American intransigeance stands in the way of a general relaxation of tensions, to which declining fear of Soviet aggression contributes.

(4) Resentment at basic U.S. economic policies and the paradox they involve, particularly:

> (a) Strong desire for "trade not aid" frustrated by doubt whether the U.S. will do anything substantial to lower trade barriers and otherwise aid Europeans to *earn* dollars.
>
> (b) Convinction that our efforts to prevent strategic trade with the Bloc are unnecessarily restrictive and are doing the free world's economies far more damage than the Bloc's.

(5) Doubts as to our long-range determination to "stick with" Europe—a composite of annoyance at what is considered excessive concern with Far East, drawing far-fetched conclusions from our attempts to persuade European nations to increase their own efforts, and worries as to whether Americans have permanently forsaken isolationism.

(6) Resentment against unilateralism on the part of U.S., particularly failure to consult NATO partners as "equals", and against the application of pressure to yield to U.S. views, particularly on what Europeans regard as minor matters.

(7) Terms and application of U.S. Immigration Acts which are considered degrading.

(8) Labor's impression that U.S. economic aid programs have not been administered with due regard to the interests of lower-income groups.

(9) Statements by certain members of Congress and private citizens and publications which Europeans consider offensive, or which they mistakenly interpret as indicating the trend of U.S. policy.

b. Middle East and Far East

(1) Racial sensitivity and antipathy to Western powers, Persistent belief, despite U.S. professions to contrary, that U.S. regards Asiatic people as inferior, that U.S. tends to patronize Asia, and that U.S. policies and practices do not accord Asiatic governments genuinely equal status with Western powers.

(2) Suspicion that the U.S. is essentially imperialist, or at least unsympathetic with nationalist aspirations. This suspicion is intensified whenever we side with European powers in a dispute with an Asiatic country.

(3) Economic policies—virtually the same as 7.*a.*(4) above.

(4) Distrust of American leadership. This ranges from the factors discussed under 7.*a.*(1) above to mere resentment that we are not in accord on particular current issues.

(5) Subordination of East-West struggle to concentration on special national and regional interests, accompanied by belief that U.S. policies ignore these interests.

(6) Feeling of no real stake in the East-West struggle and consequent resentment at pressure by U.S. to participate therein.

(7) Among Arab States resentment at U.S. favoritism for Israel.

c. Latin America

(1) Feeling of being neglected and "taken for granted" (experience with respect to economic aid) and patronized by U.S.

(2) Economic policies—similar to 7.*a.*(4), but with emphasis more on U.S. tariff policies than on East-West trade controls.

(3) Growth of virulent nationalism often misdirected into Yankee-phobia.

(4) Same as 7.*b.*(5).

(5) Same as 7.*a.*(9).

Recommendations

8. *Executive Branch Actions*

The following actions should be undertaken by the Executive Branch of the U.S. Government in the near future:

a. In forthcoming speeches by high-level governmental officials, including the President,emphasize: (1) U.S. determination to continue cooperation with other free nations; (2) U.S. interest in international economic and political problems as well as collective defense; (3) peaceful purposes of U.S. policies, and intention of U.S. to continue seeking relaxation of international tensions through peaceful negotiation.

b. Strengthen efforts to disassociate the Administration from political extremist viewpoint identified in the foreign mind as "McCarthyism". Seek opportunities to emphasize basic vitality of American democratic institutions and to demonstrate America's tolerance and sympathy for divergent and non-conformist viewpoints.

c. Speed Randall study on U.S. economic policies, with purpose of obtaining completed report in time to permit Congressional action in 1954.

d. Implement NSC 152/2 in such a manner as to encourage East-West trade not clearly detrimental to the East-West power ratio.[4]

9. *Executive-Legislative Actions*

At the 2nd session of the 83rd Congress the Executive Branch should seek:

a. Liberalization of U.S. trade and tariff policies.

b. Enactment of a revised mutual assistance program which will: (1) shift emphasis from "aid" to "cooperation"; (2) provide assistance to Europe primarily as a "contribution" to a common defense enterprise, geared if possible to a three-or-four-year defense plan; (3) indicate the intention of the U.S. to continue for an extended period of time limited economic and developmental assistance to Asia, Africa and South America; (4) minimize legislative "conditions" on aid.

c. Creation of an Atlantic consultative assembly composed of legislaters of the 14 NATO countries, to discuss common Atlantic problems.

d. The Executive Branch should seek through informal contacts greater responsibility in Congressional investigations and emphasis on points stressed above in 8.a. in speeches of Congressional leaders.

10. *General Principles to Guide Conduct in Foreign Relations*

In relations with foreign nations, and in dealing with domestic issues which have a critical impact abroad, the U.S. Government should:

a. Repeatedly stress the peaceful intentions of the U.S. Government and its willingness to "meet the Soviet bloc half way" in seeking a settlement of international differences and a relaxation of tensions. Avoid outright condemnation of "neutral countries" or rigid insistence that they must be "for us" or "against us".

b. Emphasize U.S. interest in non-military cooperation with other nations. In UN, NATO, OAS and other international organizations, seek to extend cooperative activities in non-defense spheres.

c. Try to maintain a genuine partnership relation with allies abroad; avoid appearances of "unilateralism"; expand practice of consultation with allies on important issues (*before* U.S. position has crystallized) accept and carry out joint obligations imposed by alliances on basis of equality; encourage greater initiative by allies and give sympathetic treatment to their proposals.

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[4] Here follows paragraph 8*e* which reads: "Seek to repose greater responsibility on our NATO allies to determine what they will actually do in their own defense and develop a concrete program." This passage has been crossed out in the source text and a handwritten notation in the margin reads: "deleted by OCB." This deletion was officially confirmed in a memorandum by NSC Executive Secretary James S. Lay to the NSC, dated Sept. 29, 1953. (Eisenhower Library, files of the Office of Special Assistant to the President for National Security Affairs, 1952–61) This paragraph had been a subject of debate for some time. See the memorandum by MacArthur, dated Sept. 22, 1953, p. 1526.

d. Be more selective in exerting pressures on foreign governments; avoid applying pressures publicly and rely primarily on confidential high-level negotiations. In international bodies, gracefully accept consensus of majority on secondary issues, and conserve U.S. influence to promote major U.S. interests. Coordinate negotiations with foreign governments to minimize multiple pressures on different subjects at the same time.

e. Avoid statements or actions which nourish impression abroad that the U.S. is "hysterical" on subject of Communism, that essential U.S. liberties are in danger, or that the government and people of this country do not distinguish between Communism and other leftist or non-conformist doctrines.

f. Stress evolutionary aspect of movement toward self-determination for colonial peoples, meanwhile making clear U.S. interest in ultimate self-determination for all such peoples. Work with both colonial powers and dependencies to promote amicable relationships and advance latter's evolution toward self-determination, but avoid favoritism in conflicts between colonial powers and dependencies.

g. Administer existing customs, tariff and other trade laws as liberally as possible, and avoid any unilateral actions restricting trade beyond limits mandatory under legislation. In particular, avoid the sudden application of restrictive measures under circumstances which may cause injury or embarrassment to foreign traders.

h. Seek maximum liberalization in interpretation and administration of existing immigration laws. Explore possibilities of early revisions which might eliminate special sources of irritation.

i. In planning and administering non-military aid programs, emphasize "people-to-people" assistance to maximum extent possible.

j. Attempt to avoid identification of U.S. policies and actions with "militarism"; guard against public statements by U.S. civilian and military officials which sound belligerent or appear to assume the inevitability of war; seek to assure restrained and balanced publicity concerning events having a military flavor (such as bomb tests, acquisition and construction of U.S. bases, troop maneuvers, shipments of MDAP materials, etc.).

k. Repeatedly emphasize consistency, continuity and bi-partisanism of basic U.S. foreign policies and seek occasions to demonstrate essential unity of government and nation in supporting such policies.

l. Take maximum advantage of President Eisenhower's personal popularity abroad, demonstrate his leadership of his party and the nation as a whole, and exploit appropriate opportunities for Presidential utterances on foreign policy.

[Enclosure 3]

Memorandum Prepared by the Operations Coordinating Board

SECRET [WASHINGTON, undated.]

Annex B

The purpose of this paper is to present an analytical summary of current European public and governmental attitudes toward the United States, based on official and unofficial reports from abroad.

General Situation

At the present time there are several serious divergences between American and European attitudes. During the last year, the trend of European attitudes has been distinctly unfavorable to the United States interests and objectives.

This trend varies considerably among different countries, and there are several countries in which no perceptible change in governmental and public attitudes has been found. Taking Europe as a whole, however, there is evidence of declining confidence in United States leadership, growing resentment against American policies and actions, and a decrease in American popularity and prestige.

There is no evidence that the immediate situation is desperate or that the present trend of European attitudes is irreversible. The basic amity and status between the United States and Europe is deeply rooted in many common interests. By broad historical standards United States prestige remains near its peak. There is a vast reservoir of good will and admiration for the United States among the majority of the population of free Europe. The personal popularity of President Eisenhower, in particular, is very high. While there is suspicion of United States motives in certain quarters, most Europeans do not seem to mistrust our basic intentions and motivations. Rather, they seem primarily concerned about the ability of American statesmen, operating within the political, constitutional and psychological complex of American society, to translate their motives into concrete and realistic policies and programs which will serve the mutual interests of Europe and the United States.

Significant Attitudes Unfavorable to the United States

Current European sentiments toward the United States are compounded of a hodge-podge of intermingled attitudes, interests and suspicions, often irrational and sometimes contradictory. Certain European fears and antagonism relating to the United States are natural and inevitable products of different cultural systems and different national interests. For example, the European stereotype that Americans are politically immature in international affairs, Europe's fear of domination by the "U.S. colossus", and the latent European jealousy of American wealth and power have deep psychological roots. Attitudes of this kind have long existed, and will probably continue to exist. There are many other negative attitudes, however, which appear to be directly related to recent events.

No generalizations about European attitudes would be fully applicable to all the countries of free Europe. In certain countries views about the United States are strongly influenced by local issues and circumstances, such as the Trieste question in Italy, French sensitivity concerning America's anti-colonialism doctrine as it relates to North Africa, and the bitterness of German Social Democrats over what they consider to be the United States Government's active assistance to Chancellor Adenauer's election campaign. However, it is evident that there are several general attitudes which cross national lines, some of which prevail throughout free Europe. The most significant of these are as follows:

1. Virtually all segments of European society share a pervading fear that American policies and actions will eventually result in an all-out war with the Soviet bloc, or in an indefinite prolongation of the "cold war". It is difficult to exaggerate the profound yearning of the Europeans for a reduction of international tension.

Most Europeans are fully convinced that a war between the East and the West would be synonymous with the destruction of Europe, regardless of the eventual victor of such a war. Therefore, they tend to be extremely sensitive to any action or development which, in their evaluation, increases the risks of war or obstructs the relaxation of international tensions. There is considerable doubt in European minds that the United States Government will be able, in light of American public attitudes, to seize and exploit promising opportunities for improving relations between the East and the West.

Few Europeans believe that the United States wants war or that we would willingly prolong East-West tension. However, after many years of war and crisis, Europeans are inclined to wishful thinking about the Soviet threat and are responding, in part unconsciously, to the Soviet "peace offensive". Concurrent with this reaction to Soviet gestures, the fear is growing that United States policies will not be sufficiently flexible to put Soviet peace moves to a fair test. While President Eisenhower's April 16 speech [5] was favorably received throughout Europe, Europeans have interpreted other American statements and actions, including our continued emphasis on the undiminished Soviet threat, as evidence of strong reluctance to alter present policies.

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[5] For information on President Eisenhower's address before the American Society of Newspaper Editors on Apr. 16, 1953, entitled "The Chance for Peace" see volume II. The text of the speech is printed in *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1953* (Washington, 1964), pp. 179–188, and Department of State *Bulletin*, Apr. 27, 1953, pp. 599–603.

Many Europeans are especially fearful that the policy of "rolling back the iron curtain" involves a substantially increased risk for European security. Since it is widely believed that the liberation of Soviet-dominated areas can be accomplished only by military victory over Russia, Europeans fear that a United States commitment to the policy of liberation means an indefinite period of tension eventually climaxed by war.

While some of the earlier fears aroused by the "containment vs. liberation" argument have now been allayed, many Europeans remain fearful that United States policies toward China and Eastern Europe will indefinitely prevent the United States from finding a basis for a negotiated settlement of differences with the Soviet Union. The apparent hesitancy of the United States Government to endorse Prime Minister Churchill's original proposal for four-power talks, and the criticism with which United States officialdom has greeted successive moves of the Soviet "peace offensive", have gravely disturbed the large body of Europeans who are anxious that no stone be left unturned in the search for peace.

2. Europeans have been inclined to believe that Americans take a naive and unrealistic approach to the problem of Communism. At present, there is a strong feeling that the United States is suffering from an acute attack of anti-Communist hysteria. This feeling is found even among political sophisticates. Many less enlightened citizens with memories of Hitler still undimmed, fear that the violent United States reaction to the Communist menace is pushing the United States down the road to fascism.

It appears that the domestic political phenomenon known as "McCarthyism" has done much to weaken American prestige and tarnish American leadership. In this sense, "McCarthyism" not only applies to the activities of Senator McCarthy himself, but to all other indications that the United States Government and its people are intolerant of non-conformity and are motivated by fierce and unreasoning hatred of Communism. It is reported that the controversy over United States libraries abroad has made the American Government appear ridiculous and childish in foreign eyes, and that "star chamber" congressional investigations have raised grave questions about the internal political health of the nation to which other free peoples have looked for leadership. Some Europeans, in fact, fear that the United States, long regarded as the world's foremost exponent of freedom and democracy, is in the process of betraying its own democratic traditions. In brief, "Mc-

Carthyism" has become synonymous with neo-fascism in European minds and is regarded by some European leaders as Communism's greatest present asset in Europe.

It is evident that the political influence of Senator McCarthy himself has been distorted and exaggerated, and thus "McCarthyism" has provided an extremely effective propaganda theme for the Communists and crypto-Communists. The effects of "McCarthyism" are particularly serious among European Socialists and other non-Communist leftists who fear that American thinking tends to "lump together" Communism, Socialism and all other unorthodox philosophies. In conjunction with obvious and energetic Soviet efforts to revive a "popular front" spirit among European leftists, it is possible that "McCarthyism" will alienate a vital segment of European public opinion and thereby diminish the prospects of maintaining middle-of-the-road coalition governments sympathetic to American objectives and interests.

While governmental leaders and other well-educated persons usually make a clear distinction between "McCarthyism" and the position of the United States Government, even those individuals sometimes ask why the President does not denounce the Senator publicly and directly.

3. It was to be expected that the advent of a new Administration would produce many uncertainties in European minds as to the future course of United States policy. On the whole, it appears that these uncertainties are not so great today as they were six months ago. However, lacking a full understanding of the inner workings of the American political system, many Europeans have been disturbed about reported conflicts between the Executive Branch and the Congress, and some are disappointed at what they regard as "weakness" in the Administration's leadership.

It is difficult for Europeans to understand how basic American policies can be attacked in public speeches by congressional leaders of the President's party. This lack of understanding produces doubts as to the Administration's ability to obtain acceptance and support of its policies. While it appears that most Europeans have great respect for the President's motives and opinions and welcome any direct assertion of presidential leadership, many feel that the President's leadership has not yet been sufficiently manifest.

4. Europeans are disturbed by what they regard as inconsistency and lack of realism in certain major United States policies.

European governmental leaders find it difficult to reconcile the judgment of United States military leaders that minimum NATO military requirements are much greater than the forces now available, with the decision of the United States Government to reduce its national defense and mutual security appropriations. Moreover, they also see an apparent inconsistency between Secretary Dulles' emphasis on the need for a "long-term approach" to NATO defense planning and the recent demands of prominent congressional leaders that all foreign aid be terminated in 1954.

While most Europeans seem to agree in principle, or at least pay lip service to the principle, that strategic trade with the Soviet bloc should be controlled, they feel that the United States has gone too far in trying to stop trade in goods which afford little or no advantage to the Soviet bloc. Congressional investigations concerning trade with China aroused considerable European criticism. Europeans believe that the United States is highly inconsistent and unrealistic in pressing for reduced trade with the Soviet bloc while taking no effective measures to open United States markets to European products.

Most of the people and statesmen of Europe disagree fundamentally with America's Far Eastern policies and consider our attitude toward Communist China wholly unrealistic. Few Europeans favor support of Chang-Kai-Shek. Many are convinced that there can be no realistic basis for a successful negotiation of differences in the Far East until the United States modifies its policies toward Communist China.

With regard to the USSR, Europeans are inclined to believe that the United States has over-emphasized the military aspect of the struggle against Communism at the expense of the political and economic aspects. There is a widely-held conviction in Europe that direct Soviet aggression in Europe is unlikely and that the "cold war" will eventually be decided on political and economic grounds. In countries where the internal power of Communism is strong, such as Italy, the provision of large sums of United States aid in the form of military assistance, accompanied by insignificant grants of economic aid, is sometimes interpreted as a "cart-before-the-horse" approach to the over-all problem of European security.

5. Second only to their deep dread of war is the persistent concern of Europeans about the stability and health of their economies. Europe's economic health is dependent upon international developments to a far greater extent than is true of the United States. At the present time, it is evident that the burdens of rearmament, the chronic dollar shortage, inflation, high taxes, a leveling-off of production, and a stagnation of living standards at the 1950 level, have all combined to revive among many Europeans a sense of hopelessness approaching the despair which they felt in the early postwar period.

While Europeans regard NATO's armament program as a major source of economic strain, there is no evidence that they attribute their basic economic ills directly to the United States. However, a large number of Europeans are convinced that European economic health can be attained only through the leadership and active cooperation of the United States. For this reason, they are deeply concerned about the state of the American economy and about America's foreign economic policies.

It seems axiomatic to Europeans that they cannot simultaneously maintain strong military defenses, accept decreasing amounts of United States aid, limit trade with the Soviet bloc, and depend upon existing commercial relations with the United States. In certain countries, United States economic assistance is considered to be the only possible solution to their continuing economic problems. The Greeks and Turks, for example, feel that they cannot possibly maintain the present level of military strength without substantial United States aid, regardless of other economic developments. The French are equally convinced that they cannot continue the war in Indo-China without increased aid.

Other countries believe that substantially increased access to American markets would compensate for the loss of United States aid, and have enthusiastically welcomed the slogan of "trade not aid". However, many of these enthusiasts are disappointed in the failure of the United States Government thus far to take concrete measures to permit greater exports to the United States. Since cuts in aid have preceded significant revisions of American trade policies, Europeans fear that the United States may be adopting a "no-trade, no-aid" policy which would make their economic position impossible.

There is much evidence that the Europeans find continued United States economic aid psychologically galling. In fact, it is probable that the aid program has contributed substantially to European resentments against the United States. Direct military assistance is less disturbing, since Europeans regard deliveries of military end-items as a reasonable and natural American contribution to a common program. In any event, despite the unpleasant features of American aid, most Europeans are convinced that such aid is necessary unless and until there is a sweeping liberalization of United States trade policies, and Europeans are rather gloomy about the prospects that these policies will be liberalized sufficiently to compensate for projected and anticipated cuts in aid.

6. The Europeans are keenly sensitive to any and all indications that American interest in Europe may be lessening. It is feared that increased American interest in Asiatic problems may not be in addition to, but rather at the expense of, continued interest in Europe.

Cuts in United States assistance to Europe, in addition to direct economic effects, have indirectly disturbed Europeans as an indication that the United States interest in Europe is waning.

To those Europeans who have traditionally associated the Republican Party with isolationism, every indication of a slackening United States interest in Europe is a cause for alarm. Some Europeans are inclined to distort the significance of relatively minor events, such as official appointments. There is a persistent fear that the United States will eventually "withdraw" from Europe, and this fear has a considerable negative influence on European attitudes toward internal European problems such as the EDC.

7. Paradoxically, many of the same people who fear a decrease in American interest in Europe also fear United States "domination" of Europe. There is considerable resentment of incessant United States pressures on such matters as rearmament, bases, unification, East-West trade, etc. While recognizing their dependence on the United States and demanding "stronger United States leadership" Europeans simultaneously desire to retain maximum political, cultural and economic independence. Hence, they resent slights to their sovereignty or actions which they interpret as interference in their internal affairs. Communist propaganda that the United States seeks to reduce the European nations to the status of satellites often fall on fertile ground.

8. Europeans are disturbed by what they interpret as tendencies toward unilateralism on the part of the United States Government. Many Europeans feel that the United States does not regard NATO as a true partnership of equals and will not accept a genuine partnership relation—that we wish to devise the rules of the game but will not play by them. United States pressures on other governments to accept elaborate questionnaires for the NATO Annual Review, accompanied by United States delay in answering such questionnaires, has been cited as an example of this tendency. Moreover, it is clear that the United States is held chiefly responsible for NATO's failure to develop greater cooperation in non-military activities under Article II of the North Atlantic Treaty.

NATO governmental leaders make frequent reference to the importance of full consultation on important policy matters among the NATO governments. It is evident that several of these government leaders believe the United States has failed to consult its partners on matters of vital concern before establishing its own firm and irreversible position on such matters. Any United States action in the international sphere which is taken without consultation with, or without full regard for, allied interest, is likely to be interpreted not only as an injury to allied sovereignty but also as a tendency on the part of the United States to "go it alone".

9. A number of Europeans are disturbed by the heavy volume of criticism of European countries emanating from members of the Congress and from the American press. Repeated statements that the Europeans "won't fight", that they are "soft" on Communism, that they are loafing on the job, that they won't pay their taxes, etc., have created bitter resentment in Europe. From these criticisms, Europeans have gained the impression that the American people are not getting the real facts and are consequently dissatisfied and disgusted with Europe.

Factors to be Borne in Mind in Future Relationships with Europe.

The existing state of European attitudes does not appear to be acutely dangerous to United States interests, but may become so if the present trend continues. For example, there is no immediate threat to the basic integrity of NATO. Nevertheless, it must be recognized that unfavorable attitudes toward the United States can be expected to limit the *degree* of cooperation which can be obtained from our allies.

World leadership is not, by nature, a popular role and the United States is not engaged in a "popularity contest" in Europe. However, to the extent that European public attitudes affect the ability and willingness of European governments to cooperate with us in pursuing our policy objectives, these attitudes are highly significant. It is already apparent that an overtly "pro-U.S." position is no longer politically profitable in many parts of Europe. To put it bluntly, many politicians can "get more votes" by opposing policies identified with the United States than by supporting such policies. If resentment and suspicion of the United States produces this kind of reaction among an increasing percentage of the electorate, it is probable that we will face the most formidable obstacles in securing ratification of EDC, building a more adequate NATO defense system, limiting trade beneficial to the Soviet bloc, and achieving other important objectives.

Unfavorable European attitudes toward the United States gain added significance when viewed in the light of the almost perpetual political instability which seems to be "built into" the constitutional structures of certain European governments. The margin of parliamentary support for responsible center parties in such countries as France and Italy is precariously thin, and even under the best of circumstances these governments face great difficulty in making decisions on important issues. For this reason, there is always a possibility that relatively minor disturbances in political relationships may be decisive in their effect upon critical decisions.

Analysis of the present political climate in Europe strongly suggests that certain particular actions and developments would probably be instrumental in altering or modifying European attitudes along lines more favorable to United States interests, and that these considerations should therefore be borne in mind in planning and conducting future United States relationships with Europe. Factors which would appear capable of producing a more favorable trend of opinion in Europe include the following:

1. Repeated and convincing emphasis by the United States Government of its sincere desire to find peaceful settlements of East-West conflicts, and on the essential flexibility of United States policies and tactics in dealing with the USSR and other Communist-dominated areas.
2. The achievement of a standard of behavior in domestic political affairs which would enable the United States to stand forth clearly as an example of political comportment to be respected and imitated by other countries. (In particular, this would involve a convincing demonstration that the philosophy of "McCarthyism" is not typical of American thinking, governmental or public.)
3. A united front among American statesmen on basic foreign policy issues, in Congress and the Executive Branch, together with greater emphasis on the President's firm leadership of his party, the government and the nation as a whole. (It is clear that the President's great personal popularity in Europe represents a valuable asset for protecting and promoting United States interests, and can be more effectively exploited.)
4. Demonstration by United States governmental leaders of understanding and sympathy for the traditions, interests and problems of the European nations, of the determination of the United States to maintain a genuine "partnership" relation with its allies, and of the willingness of the United States to engage in more frequent and more substantive policy consultations with the nations of free Europe, both multilaterally and bilaterally.
5. Reconciliation and explanation of apparent conflicts in United States policies, including a program to achieve a more rational relation between actual United States defense and mutual security efforts and our stated military objectives in Europe.
6. Full United States cooperation with the European nations in long-term economic and military planning, in order to assure the latter of the essential stability of United States policies and to give them a more satisfactory basis for their internal planning. This would involve a demonstration of US willingness to participate in, rather than merely to urge, efforts to deal with political and economic problems of mutual concern.
7. Minimization of "pressure tactics" by the United States Government in its dealing with Europe. Where United States interests make such pressures necessary, it appears that more satisfactory results will be attained by applying the pressures cautiously and confidentially rather than overtly.
8. Action by the United States Government to avoid the appearance of lecturing or "preaching" to allied nations in official pronouncements or through United States propaganda media.

9. Liberalization of United States imports of European products, combined with assurances that liberalized trade policies will be maintained over an extended period of time.

10. Agreement by the United States to an expansion of East-West trade in items not of significant strategic value to the Soviet bloc and under circumstances which provide an economic advantage to the West.

11. Liberalization of United States immigration laws, including technical revisions to eliminate special sources of irritation.

12. Indication of willingness by the United States Government to consider continued economic aid to allied nations which have problems not presently capable of solution on any other basis.

13. Emphatic action by the United States Government to indicate its continued interest in free Europe, its firm intention to continue to make a fair contribution to the common defense system for an indefinite period, and its desire for a broader and more permanent "community" relationship in the North Atlantic area.

611.00/9-2553

Memorandum by the Counselor (MacArthur) to the Secretary of State

SECRET WASHINGTON, September 25, 1953.

MR. SECRETARY: I understand it was not feasible to discuss with the President yesterday the question of American prestige abroad. The memorandum to the President which I prepared for your consideration was returned to me. I am attaching it hereto because I don't know precisely how to proceed without further guidance from you. The memorandum envisaged transmitting copies of Ambassador Dillon's and Ambassador Aldrich's report.[1] This seemed the best way to handle the matter since the hard core of free world strength outside of the U.S. rests in Continental Europe, and France and the U.K. are the key allied countries in Europe. The President has a limited amount of time and I did not think that for the purposes of this exercise it was necessary to get into the Far East, Middle East or Latin America. The real problem is how Europe looks at us for if we can maintain our position of leadership with respect to Europe, we can do many things in the Near East, and Far East particularly, which otherwise would be extremely difficult.

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[1] Reference is presumably to those reports by Dillon and Aldrich discussed in the Aug. 24, 1953, memorandum by Merchant, p. 1468.

I gather you question the procedure in presenting this matter to the President and I would be grateful for your guidance.

DOUGLAS MACARTHUR II

[Attachment]

Memorandum by the Secretary of State to the President [2]

SECRET WASHINGTON, [undated.]

Subject: American Prestige Abroad

After we discussed, some weeks back, certain reports indicating that American prestige might be on the decline in some quarters abroad, I asked our representatives in key missions for their frank and confidential estimates of local attitudes toward the United States. I have now received these reports and enclose herewith those of Ambassador Aldrich and Ambassador Dillon, which are of particular interest because of the great importance of both Britain and France to many of our collective endeavors. The other reports from European capitals were along the same lines.

Several weeks ago the NSC directed that an overall study be made on the status of American prestige abroad, and I understand this will be presented shortly. Representatives of the Department of State have participated with representatives of other interested executive agencies in the preparation of recommendations to the NSC.

It is worth noting two points which stand out in practically all of the reports received from our mission chiefs. The first is that your own personal position is unique in the estimation of the peoples of other countries. It is quite clear that you are regarded as the spokesman of the free world. The second point is that domestic American political events have had a significant effect on our friends abroad. The change of administration, after twenty years of democratic control, undoubtedly carried with it a period of uncertainty for other governments and peoples. But more than the change of administration in itself, the acts of members of the legislative branch, particularly, have given rise to doubts. "McCarthyism" seems to have become a symbol of irresponsibility, not only of their elected representatives, but of the American people themselves, and is regarded in some quarters as reflecting a basic weakness in the institutions of our republic.

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[2] Drafted by MacArthur.

S/S-NSC files, lot 66 D 148, "Reported Decline in U.S. Prestige Abroad"

Memorandum by the Counselor (MacArthur) to the Secretary of State [1]

SECRET [WASHINGTON,] September 29, 1953.

Subject: Attached OCB Report[2]

Discussion

The attached OCB report, dealing with the reported decline in U.S. prestige abroad, is scheduled for consideration at the NSC meeting on Thursday, October 1. In general, the report concludes that there has been a serious decline in U.S. prestige, extending over the past five years, and presents a number of recommendations aimed at improving the situation. All these recommendations have been reviewed and given general approval by the heads of the Department's geographic bureaus. It is my opinion that the report and the recommendations are generally sound.

The implementation of the recommendations presents a somewhat difficult problem, because their form and nature varies considerably. Some may be approved outright by the NSC. Others may be approved in general terms as guides to future action. Still others will probably require further study, in conjunction with policy considerations which may supersede present psychological objectives abroad. In any event, it appears necessary that the individual recommendations be considered separately, rather than as a whole.

Recommendations

1. That you seek approval by the NSC of the analytical portion of the OCB report.

2. That you support NSC action on the individual recommendations (pp. 6–10) along the lines of a draft "record of action", attached. (Tab A[2])

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[1] Drafted by Nunley of the Office of European Regional Affairs.

[2] Not attached.

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 164th Meeting of the National Security Council on Thursday, October 1, 1953 [1]

TOP SECRET EYES ONLY

Present at the 164th Meeting of the Council were the President of the United States, presiding; the Vice President of the United

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[1] Drafted on Oct. 1 by S. Everett Gleason, Deputy Executive Secretary of the National Security Council.

States; the Secretary of State; the Secretary of Defense; the Director, Foreign Operations Administration; the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Director, Bureau of the Budget; the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; Sherman Adams, The Assistant to the President; Robert Cutler, Special Assistant to the President; C. D. Jackson, Special Assistant to the President; Brigadier General Paul T. Carroll, Acting White House Staff Secretary; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

There follows a summary of the discussion at the meeting and the chief points taken.

[Here follow agenda items 1–3: "Significant World Development Affecting U.S. Security," "United States Position With Respect to Germany," and "United States Policy and Courses of Action To Counter Possible Soviet or Satellite Action Against Berlin."]

4. *Reported Decline in U.S. Prestige Abroad* (NSC Action No. 867; Memos for NSC from Executive Secretary, same subject, dated September 24 and 29, 1953 [2])

After Mr. Cutler had briefly given the background on this report which had been submitted by the Operations Coordinating Board (OCB), he asked Mr. C. D. Jackson to speak to the report. Mr. Jackson said that the report really spoke for itself. As far as the work done by people here in Washington, it was a conscientious effort to marshal the facts. Presumably, continued Mr. Jackson, he felt that the report was somewhat dangerous since it painted too pessimistic a picture and conveyed the impression that the fall in U.S. prestige overseas was solely the fault of the United States. In fact, of course, the fall in U.S. prestige was also a function of European neurosis and it was an over-simplification if we judged that the United States was solely to blame. At the present time the United States was actually taking a position of world leadership and it was inevitable that we should run into the difficulties attendant upon such leadership. It was natural, therefore, to try to shift the blame to certain whipping boys as this report tended to do. In conclusion, Mr. Jackson warned the Council that even if the recommendations in the report were promptly carried out we shouldn't expect to be loved overnight. In point of fact, we don't want to be loved anyhow but simply to be respected.

The President said that he had almost blown his top when he first read this report. It was obvious to him that many of the individuals overseas who had sent in the views out of which the report had been made, had been appointed to their jobs when they thought that the only way to assure the prestige of the United States overseas was to hand out money. Many of them were New Dealers with the result that the report was badly overdrawn and colored.

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[2] Regarding NSC Action No. 867, see footnote 1, p. 1527; Lay's Sept. 24, 1953, memorandum is printed *ibid.*; regarding his Sept. 29 memorandum, see footnote 4, p. 1532.

Mr. Jackson expressed hearty agreement with the President's opinion and pointed out that as there were still termites in Washington so also in our missions overseas there remained a lot of disgruntled eggheads whose last thought is to promote the positive side of this Administration's policies.

Mr. Allen Dulles noted that the report was as of August 1 and that there had been considerable improvement since that date.

Secretary Dulles said that the analysis in this paper was a correct reflection of the reports which had come in to the State Department from the embassies and missions overseas. It was important to observe, however, the extent of fluctuation in our prestige from week to week and almost day to day. For example, U.S. prestige in France reached its depths during the Rosenberg espionage trial and rebounded to a high point when we took our stand with the French in regard to French action in Morocco. In any case, Secretary Dulles said he wished earnestly to point out the great damage which could be done to the Administration by the opposition if this report ever leaked out. It was also worth pointing out, said Secretary Dulles, that there was another aspect to our prestige which is not the subject of any comment in the present report. This was our prestige at home with our own people. Whatever the present situation with respect to U.S. prestige overseas, the prestige of the Administration with the people at home was higher now than it had been for a long time. With regard to the previous references to termites, Secretary Dulles then read a very bitter letter reporting on the results of his visit to New Delhi. The Secretary feared that individuals of the sort who had written this letter were to be found all through our diplomatic establishments overseas. In conclusion, Secretary Dulles said that he thought on the whole that Council action with respect to this paper should consist of simply noting the report rather than to suggest adoption of precise recommendations. The President expressed agreement not only with Secretary Dulles' suggestion for appropriate Council action on this paper but also with the view that it should receive no circulation. Indeed, said the President, it would be best to have Mr. Cutler recall all outstanding copies of the report.

After a brief comment on the ephemeral character of gratitude among nations, the President closed consideration of this report by expressing the wish that it might be possible in some fashion to send to these various foreign countries observers who were really loyal to the new Administration to find out what is going on overseas. It would be very helpful to find out who are the traitors in these various missions.

The National Security Council:

Noted and discussed the report by the Operations Coordinating Board on the subject transmitted by the reference memorandum of September 24.

[Here follows agenda item 5: "Current Budgetary Situation and Outlook."]

711.2/3-454: Telegram

The Ambassador in the United Kingdom (Aldrich) to the Department of State[1]

CONFIDENTIAL LONDON, March 4, 1954—7 p.m.

3805. Pass USIA. Importance of reaction of British press to activities Senator McCarthy has made us feel that recent events justify sending following special cable covering this situation:

With the McCarthy-Stevens controversy in the news since February 19, British concern about what is believed to be the almost unlimited power of the Senator has reached new heights. When the Senator's controversy with the Army began a number of papers, including the *Times*, the *Express* and the *News Chronicle*, advanced the opinion that the Senator had "overplayed his hand" and stated that "the President has waited for battleground of his own choosing and he may well have chosen wisely." These and other papers also reported widespread attacks on McCarthy in the American press.

On February 22, BBC-TV carried a program showing the Senator last year questioning a Government employee, Reid Harris. This first appearance of the Senator on British TV deepened public distaste (see USIA OM February 26) for his cross-examination methods and made vivid the reports in the papers of his handling of General Zwicker. Commenting on the broadcast the press said "instructive but not very pretty" . . . "the full horror of a McCarthy witch-hunt actually in progress" (*News Chronicle*) . . . "McCarthy's methods are about as democratic as those of the Communists themselves" . . . "it amounts to nothing less than a threat to the fundamental principle of justice as understood in the English-speaking worlds." (*Evening Standard*) . . . "millions of British televiewers last night saw what a McCarthy witch-hunt really means" (*Herald*).

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[1] Transmitted in two sections.

Then on February 24 came the reports that Mr. Stevens had agreed to the summoning of military personnel by Senator McCarthy's committee, and the headlines read "McCarthy wins again" (*Daily Mail*) . . . "Army yields to McCarthy" (*Daily Herald*) . . . "Surrender to McCarthy" (*Times*). The *Express* reported it "is rumoured Eisenhower wanted hearing cancelled, he wishes to avoid any scandal" and the *Herald's* Washington reporter said "shocked liberal opinion in America has attributed responsibility for this surrender to Eisenhower and asking when, if ever, he will call halt." The *Mail's* editorial declared: "By stirring up mistrust McCarthy is menace to Anglo-American relations." The *Times* on February 27 quoted extensively from American papers as to possible ill-effects on US Army morale, and Alastair Cooke in the *Guardian* speculated about whether or not McCarthy's "triumphs put him in line for the Republican Presidential nomination in 1956." The *News Chronicle's* banner headline was "Fuhrer McCarthy."

Most papers front-paged that day and the following, two speeches by Herbert Morrison, deputy leader of the Labor Party, who asked "I wonder whether the US is aware of what a serious liability Senator McCarthy is to America in the eyes of the rest of the democratic world?"

However, on February 28 the press was also able to greet enthusiastically ("it had to happen" declared the *Herald*), the news that the Senate Republican Policy Committee was going to study methods used by Senator McCarthy's investigatory committees.

Mr. Stevens' statement that he would not permit "abuse of Army personnel under any circumstances including committee hearings" received less attention. The *Herald* did report it and emphasized that [illegible] the President's agreement. The *News Chronicle* nonetheless, in an editorial declared that while it is "inconceivable, the President has not demonstrated that any adequate precautions" have been taken against a demoralization of the Army similar to that which has allegedly taken place in the Foreign Service. "Cold comfort for Mr. Stevens . . . belated Presidential endorsement" said the *Guardian* after Stevens' visit to the President.

Over the last week end, speculation as to the relative political strengths with the Republican Party of the President and the Senator continued unabated.

The *Times* Washington correspondent stated that the President had accepted advice "not to fight McCarthy until after the November election," but that McCarthy "well aware of this is engaging in building himself a position that will be impregnable by the time the elections are over." The *Herald* declared: "Prestige of Ike has never been lower—prestige of McCarthy is such that he is hot tip for Republican nomination as President of US." The *Observer* declared: "President Eisenhower should be made aware of this; whatever reason of domestic politics may seem to justify his passivity it undermines the foundations of American leadership in the free world."

The popular columnist Cassandra in the *Daily Mirror* of March 1 (circulation 4,420,000) said "in Washington another famous general is breaking all records in blundering, cowardly statesmanship. President Eisenhower, if he can no longer be expected to show political sense, would at least have been expected to have the courage to defend his old comrades in the United States Army. But did he?" The columnist then quoted McCarthy on Stevens statement: "He could not have given in more abjectly if he had gone down on his knees," and then added "if you want a commission in the army, I can fix it for you." These same quotations from the Senate appeared in several other papers. In its news story of the same day, the *Mirror* said: "The gravest effects of Stevens surrender are said to be: (1) A big drop in the morale of American forces at home and overseas. (2) Bitter attacks on America in allied countries, bringing danger to America's friendships and alliances."

On March 2, the *Times* headlined its report "McCarthy is summoning Mr. Stevens to testify in closed session." And "Mr. McCarthy unrepentant." The *Guardian* closed its column, "for all the comfort and strength the people can take from him, the President might just as well hang outside the White House a sign saying 'closed for repairs' ".

Although there was little news to report on March 3, the Senator remained in the news, with the *Guardian* stating that "few people believe that Senator McCarthy will be restrained for long by the Senate Republican policy committee which is trying to devise a code of honourable conduct for committee chairman" and asking "will President Eisenhower at last assert his leadership of the Republican Party?" The *Times, Guardian* and *News Chronicle* all congratulated the Secretary of State on "timely clipping of Mr. McLeod's wings" (*Guardian*) and described McLeod as a "close friend of McCarthy's." The *Times* (and the *Guardian*) however, also reported that McCarthy wants to "question Mr. Dulles closely about the change."

All national dailies reported in detail the President's press statement of March 3 and Senator McCarthy's rejoinder. With the exception of the *Daily Telegraph* and the *Mail,* which concentrated on the President's remarks, approximately equal treatment was given both statements. The editorial in the *Times* of March 4 said:

"Meanwhile, although Senator Knowland has assured the President that fair rules will be set up for congressional committees, there is no sign whatever yet that Senator McCarthy is likely to be stayed in his course by foe or by friend. His graceless and demagogic comments yesterday on the President's statement certainly bode no good. It was said a year ago that only the President himself could halt him—by direct action. It still seems so. And, [apparent garble] the corroding effects of politics by smear and purge run through large sections of American life—an offence to liberal minded men, who hate Communists, everywhere."

A report in the *Express* declared: "It was as Washington correspondents called it a 'lamentably weak' reproof." . . . "he tossed the control of McCarthy to the Republican Senators" . . .[2] "McCarthy came back with 308 pithy words saying in effect that he was no respector of persons. Would carry on in his own way."

In a Tory headlined "bully McCarthy scorns Ike rebuke" the *Herald* said "the issue now becomes even more clearly who is President Eisenhower or McCarthy." The *Guardian's* headline was "rebuked but not silenced;" the *Chronicle's* "Ike gives McCarthy a slap—but only daintily on the wrist." The *Mirror* concluded its account "down came the curtain and the awe in which Americans held McCarthy seems all the more sinister and unlovely now that the President in critical yet respectful comments does not even whisper the grand inquisitor's name."

The *Telegraph, Guardian, Chronicle* and *Mail* pointed out that in asserting the right of department heads to administer their agencies, the President was rebuking McCarthy for challenging Secretary Dulles' decision to separate the State Department's security and personnel administration.[3]

ALDRICH

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[2] Ellipses in the source text.

[3] Telegram 3806 from London, dated Mar. 4, 1953, eyes only for the Acting Secretary, reads as follows: "I cannot help wondering whether it might be wise to call directly to personal attention of President facts set forth in Embtel 3805, March 4 which covers British press reaction to recent events involving Senator McCarthy." (711.21/3-45)

711.00/3-3154: Telegram

The Ambassador in France (Dillon) to the Department of State

SECRET PARIS, March 31, 1954—7 p.m.

3623. Limit distribution. Depcirtel 53, July 23,[1] and my despatch 469, August 4, 1953,[2] in reply thereto on subject of decline of French confidence in United States leadership.

I desire at this time to reaffirm my conclusions of last summer to effect that French confidence in American leadership has declined since beginning of 1953. Upon my return to Paris early this month after absence of over three months I am struck with fact that American prestige here and French confidence in our leadership of free world seem to have further deteriorated.

Embassy's daily press despatches have reflected rising tide of French concern over "McCarthyism," but I think it necessary at this time to supplement these routine reports with following summation of indications, not merely in press but in official and other circles, of serious proportions situation has reached. (Despatch is in preparation.)

1. *Paris Press.*

Until comparatively recently non-Communist and friendly to US French newspapers were speaking of McCarthyism as representing lunatic fringe in America. These same papers are now saying that perhaps 50 percent of all Americans are in favor of McCarthy's ends and methods.

"McCarthyism" is presently and for several weeks has been No. 1 American story in all sections of French press, and in particular since Stevens-McCarthy-Peress affair commenced. Typical recent headlines chosen at random mainly from pro-American newspapers have been:

"Great Fear of McCarthyism Paralyzes Progressively Administration of USA," "American Army Surrenders To McCarthyism," "Confusion In Washington Due To McCarthy-US Government Conflict," "Avenging Archangel Of American Conformism To Whom Eisenhower Is Now Paying In Full Blank Check He Gave Him During Election Campaign," "McCarthy Dominates American Political Scene—Prestige Of Wisconsin Senator Grows Constantly Before Weakness Of President Of US--Press Now Treats Both Men As Equals," "Eisenhower—Another Hindenburg."

Editor of largest Paris evening paper, *France-Soir,* which is violently anti-Communist and generally pro-American, recently stated privately to us: "Damaging attacks against American free institutions are also attacks against democracy and freedom in France." One of principal political writers of solidly pro-American and pro-EDC *Figaro* expressed to Embassy officer his concern about progress McCarthyism in America and said how difficult it was becoming convincingly to support American leadership of Atlantic community in face of McCarthyism. Totalitarian police-state methods behind iron curtain in one pro-American paper were characterized as "Communist McCarthyism."

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[1] *Ante,* p. 1465.

[2] For text, see volume VI.

Influential *Le Monde* and other anti-American and neutralist newspapers and magazines are implying with increasing boldness and plausibility that Washington is "just as bad as Moscow."

Communist propaganda for past several years has made sustained effort to draw parallel between Americans and Nazis with object of firing French with neo-resistance spirit. Although themes used to portray Americans as neo-Nazis such as so-called American military occupation, bacteriological warfare (analogy with Nazi gas chambers) and Rosenberg execution (anti-Semitism) produced little popular effect here, progress of McCarthyism has proved unexpected windfall for this type of Communist propaganda by providing it with specifically American phenomenon to equate with fascist threat. Communists of course, have exploited it to utmost in this sense and peace movement has begun create local committees to combat "McCarthyism in France" as American inspired menace to civil liberties everywhere.

2. *French Government and Anti-Communist Action.*

We have had countless personal inquiries from French officials including Prime Minister's office and members of Parliament, as to real strength of McCarthy's following in US and prospects of administration being able to control him.

High-placed government officials responsible for anti-Communist action here have repeatedly told Embassy officers confidentially that rise of McCarthyism partly accountable for decline such action in recent months. While recognizing it as only one element in local picture, they say it has gone far to discredit anti-Communist action in France generally. Notably it has destroyed popular discrimination between what is sound action to protect national security and what is witch-hunting and has created increasingly unfavorable climate for effective anti-Communist action. Always sensitive to any suggestion of American pressures in such matters, French officials have become increasingly so of late and are increasingly reluctant to initiate anti-Communist measures for fear public censure of aping McCarthyism.

3. *Business Community.*

Prominent French manufacturer with excellent resistance record, violently anti-Communist and sincerely pro-American, recently told Embassy officer he did not dare to go on legitimate business trip to Russia in connection with his perfume business because if he did he would be under suspicion and never again receive American visa. Many of our French business contacts state they are finding it increasingly difficult to maintain and defend before unfriendly critics their pro-American sentiments. Other intelligent and friendly Frenchmen are now saying they do not desire to go to US "even if I could get a visa" for fear of receiving rude treatment and perhaps being under suspicion.

Three reputable Jewish business establishments in Paris were recently approached by official of France-Etats-Unis organization for annual contribution. Top officials of all three houses stated they would not this year contribute and each gave following reasons: (a) McCarthyism is fascism and oppression of minority groups; (b) this will inevitably lead to anti-Semitism.

4. *Friendly Intellectuals.*

Director of University of Lyon, notably and outspokenly pro-American, states many of his friends see in McCarthyism in US the dashing of their best hopes for survival of freedom and liberty in free world. Leading Parisian publisher who has been militantly friendly to US now decries what seems to him and to many of his associates progressive development of intolerance in America. He says: "There is nothing new in McCarthyism except the fact that this time it is happening to you Americans."

Intelligent and pro-American secretary general of Marseille Chamber of Commerce recently asked: "Do you realize one of greatest menaces in world today is McCarthy? President Eisenhower has gone down in estimation of myself and many of my friends because he takes no action against him. Why doesn't he do something? Doesn't he realize what's happening? Doesn't he remember Italy and Germany?"

Professor of English at Aix-Marseille University tells us teachers and students are following "l'affaire McCarthy" with sort of horrified fascination. "You Americans seem to be politically inconsistent and now that it has come to a showdown you don't really seem to believe in freedom of speech, constitutional rights of persons suspected of treason," etc.

American Fulbright students report that willingness of French students to learn facts about US greatly reduced these days because they feel little good can lie under surface that looks so bad.

These are but a few of typical reactions we are receiving from our friends. Public affairs officers attached to Consulates in principal French cities recently here for conference confirm these reactions are almost universal among responsible and friendly Frenchmen in their various districts.

Conclusions.

1. Just as most Frenchmen before war looked hopefully to us for support and protection against forces of totalitarian Nazism and Fascism, non-Communist Frenchmen since war have looked to and counted upon US as their ultimate protector against totalitarian Communism from east. We have long stood in minds of great majority of Frenchmen as bulwark and symbol of representative government, free institutions and tolerance. To the extent it is believed here that we no longer unitedly and resolutely stand for these values, and that forces attacking them in our country are gaining in strength, French opinion tends to start looking elsewhere for protection of their national security. Elsewhere is, of course, towards east, which means neutralist search for "reinsurance" by better relations with USSR and loosening of relations with US.

2. For reasons suggested in foregoing paragraphs, American prestige in France, and particularly in influential non-Communist intellectual circles, has deteriorated to lowest point we can remember. Fulfilling this missions basic task of keeping France a strong, healthy and willing ally is becoming increasingly difficult. Operations in important field of public information and cultural affairs are particularly affected. Spectacle of McCarthyism in US is increasingly playing into hands of Communists and neutralists who, if they succeed in instilling in French minds that American "Fascism" is just as bad as totalitarian Communism, will have won tremendous propaganda victory which can only undermine French attachment to and confidence in western defensive coalition.

3. Confidence in our leadership, in American steadiness and our attachment to freedom and basic liberties has undoubtedly suffered serious decline during past year. Although this is an undeniable and discouraging fact, setbacks we have suffered in this country are not beyond repair. French public opinion has not accepted and never will accept Senator McCarthy's apparent idea of America, but is eager to accept and follow lead of President Eisenhower's America. Our prestige here is directly related to and a function of success administration has in dealing with and defeating what are regarded here as being forces of totalitarianism and conformism at home.

4. French press and French public opinion react instantly and enthusiastically to every evidence that McCarthyism is successfully being countered, exposed and controlled. President's endorsement of Senator Flanders' recent Senate speech and recent evidence that American public opinion is finally being aroused against Wisconsin Senator's extremism has been greeted here with relief and feeling that perhaps after all McCarthyism is manifestation of personal

ambition, demagogy, superstition, anti-intellectualism and ignorance which good sense of American people will relegate to its proper position as unsightly and embarrassing rash on American body political rather than as symptom of serious and perhaps chronic disease.[3]

DILLON

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[3] Special Assistant to the Secretary of State John W. Hanes summarized this telegram for Secretary Dulles in a memorandum of Apr. 3, 1954. (611.00/4-354)

OCB files, lot 61 D 385, "Prestige Project"

Memorandum by the Assistant Secretary of State for European Affairs (Merchant) to the Under Secretary of State (Smith)[1]

TOP SECRET [WASHINGTON,] April 19, 1954.

Ambassador Dillon's cable no. 3623 of March 31 from Paris[2] confirms his conclusion of last summer that French confidence in American leadership has continued to decline ever since the beginning of 1953. The cable supplements Embassy despatches concerning the rising tide of French concern over "McCarthyism" in the United States.

The Secretary was disturbed by this cable and has indicated his interest in referring it to Mr. Streibert and possibly the OCB to consider action which might be taken to correct the impression which Ambassador Dillon reports has been created in France. You will recall that the answers elicited last year by the Department's "Eyes Only" circular telegram no. 53 of June 23 were considered and noted by the NSC. Although the matter was not referred to the OCB last year, I am informed that reference of the present cable to the OCB would not call for any further action on the part of the NSC. Accordingly, it is recommended that you distribute to the members of the OCB at the next luncheon meeting copies of the cable in question together with a covering memorandum. In addition to soliciting the views of the members of the OCB as to possible action, it is particularly recommended that Mr. Cutler's views be sought in view of past consideration of this subject by the NSC.

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[1] Drafted by Deputy Assistant Secretary of State for European Affairs C. Burke Elbrick.

[2] *Supra.*

OCB files, lot 61 D 385, "Prestige Project"

Memorandum by the Deputy Assistant Secretary of State for Public Affairs (Phillips) to the Operations Coordinator in the Office of the Under Secretary of State (Radius)

SECRET WASHINGTON, May 18, 1954.

You will recall that the OCB was recently invited by the Department to consider problems in foreign opinion raised by the activities of Senator McCarthy.

An officer connected with the IES[1] attended a meeting in Boston, April 26–30, of the Sixth Annual Conference of the National Association of Foreign Student Advisers. Attached is a report made to me on aspects of the above problem which were raised there.

I believe that action on the original OCB item was not clearly assigned. The attached information may be of use to anyone who is pursuing the subject.

JOSEPH B. PHILLIPS

[Attachment]

Memorandum Prepared in the International Educational Exchange Service of the Bureau of Public Affairs[2]

SECRET WASHINGTON, undated.

SIXTH ANNUAL CONFERENCE OF THE NATIONAL ASSOCIATION OF FOREIGN STUDENT ADVISERS HELD IN BOSTON, APRIL 26–30, 1954

The issue of "McCarthyism" is destroying respect for and confidence in the United States abroad according to the informal reports of many foreign student advisers attending this Conference from colleges and universities throughout the country.

American exchange professors and students abroad report that no single issue involving the United States receives greater attention than the queries they receive from their associates in foreign countries concerning "McCarthyism". Heretofore, racial discrimination in the United States has been the focal point of many searching questions put to Americans abroad. The racial issue has been relegated to a role of lesser importance in view of the expressed concern over this new issue, according to the foreign student advisers.

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[1] International Educational Exchange Service located in the Bureau of Public Affairs.

[2] The identity of the drafting officer is not indicated on the source text.

An officer of NAFSA indicated that there is strong evidence of the impact of this issue on the thinking of most foreign students here in the United States. It was intimated that there is scarcely a meeting or a gathering of foreign students during which this question is not discussed. The concern of these foreign students is expressed in a variety of ways: Some express a fear of "McCarthyism" and indicate that it represents the beginning of a drastic change in U.S. foreign policy. For example, they see the early objectives of the Point IV and Mutual Assistance Programs gradually being de-emphasized. This leads to the feeling that the United States is concerned only with nations which subscribe to her own political and economic points of view. Many foreign students are fearful and disturbed that Senator McCarthy might one day be elected President.

This same officer of NAFSA whose work with foreign students takes him into nearly every state also reports that on a great many American college and university campuses "McCarthyism" is a frequent and favorite topic for discussion by student forums. At one such forum in the state of Washington, for example, he noted that where the average attendance of between 35 and 40 would be expected, over 400 students and faculty alike turned out for the discussion. Likewise, in a Canadian university in British Columbia the topic was discussed in a student forum. College newspapers likewise carry editorials and special articles on the subject. It was observed that in the student forums foreign students take an active part and often contribute to the college newspaper articles.

Generally, most foreign students are confused and do not know how to interpret what they see or hear on the subject of "McCarthyism". As a result, they are inclined to be critical and outspoken. Those who have seriously thought about this issue see it as a "symptom" or "rash" indicating a general trend toward isolationism. Because of this trend, the majority of these foreign students are fearful of the outcome which this may have on American foreign policy.[3]

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[3] Attached to the source text is a memorandum from Radius to Deputy Under Secretary of State Robert Murphy, dated May 18, 1954, which reads as follows:

"The problem referred to by Mr. Phillips in the attached memorandum (Tab A) was that raised by the cable from Ambassador Dillon (Tab B) in a follow-up of the 'Prestige' Study undertaken last year.

"I understand this problem was discussed at a [Operations Coordinating] Board luncheon and, although no formal action assignment was made, the problem was referred to Mr. Streibert.

"*Recommendation:*

"You may wish to bring the attached information to Mr. Streibert's attention in connection with whatever follow-up he may be taking in connection with the Dillon cable."

The Phillips memorandum referred to is printed above. The "Dillon cable" was telegram 3623 from Paris, Mar. 31, 1954, p. 1552. There is no indication from the materials examined for this compilation that any further action was taken on this matter or on the "Prestige" study of 1953 referred to above.

UNITED STATES POLICY REGARDING IMMIGRATION AND MIGRATION PROGRAMS

Editorial Note

The Policy Committee on Immigration and Naturalization (PIN) was established by Department of State Announcement 573 of June 18, 1947, under the chairmanship of a member of the Office of the Legal Adviser and with representation from each of the geographic bureaus, the Bureau of Economic Affairs, and the Office of Controls. The Committee met on an irregular basis but with greatly increased frequency whenever an immigration bill was up for Congressional consideration. The Committee drafted Departmental comments on pending legislation; position papers on various immigration and naturalization issues, including the status of ex-Nazis vis-à-vis United States immigration law; and analyses of the effect on United States foreign relations of the immigration-related provisions of the Internal Security Act of 1950. The Committee's documents and minutes for the 1947–1951 period are in PIN files, lot 56 D 324, "Minutes, 1947–51" and "D Series." There were no meetings of the PIN Committee from June 30, 1952 to May 10, 1955.

398.18 PICMME/1-2852

Memorandum by Commissioner Harry N. Rosenfield to the Chairman of the Displaced Persons Commission (Gibson)[1]

CONFIDENTIAL [WASHINGTON, undated.][2]

Legislative Program—Conferences with High Commissioner McCloy, Ambassador Donnelly, and Lt. Gen. LeRoy Irwin, C.G., USFA

On December 19th I met with the Hon. John J. McCloy, U.S. High Commissioner for Germany, and on December 21st I met with the Hon. Walter J. Donnelly, U.S. Ambassador to Austria. On both occasions Mr. Robert J. Corkery, European Coordinator,[3] accompanied me.

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[1] The Displaced Persons Commission was composed of three members: Gibson, Rosenfield, and Edward M. O'Connor. This memorandum was also sent to O'Connor.

[2] Apparently written in late December 1951 or early January 1952. The meetings referred to in this document were held on Dec. 19, 21, and 23, 1951. This memorandum as well as the one dated Jan. 9, 1952, *infra*, were attached to a covering letter dated Jan. 16, 1952, not printed.

Both conferences started with a discussion of the present status of the program. Both officials were pleased and satisfied with our report of progress to date and anticipated progress by December 31, 1951 on Section 2 and by June 30, 1952 on Section 12.[4]

In both conferences the discussions were largely devoted to the views of Mr. McCloy and Mr. Donnelly as to desirable future legislation. Their views are as follows:

Mr. McCloy

1. *Recent Iron Curtain Refugees*

He has considerable misgivings as to the wisdom of continuing to encourage defection from behind the Iron Curtain. He believes that the U.S. should put more effort inside the countries behind the Iron Curtain and less on encouragement of emigration to the Western Zones. His stress was on encouragement of defection *within* the country, rather than outside because of his belief that once defectors came out, their efforts were diluted and their influence behind the Iron Curtain diminished. He put it very succinctly: "The more defectors, the less potential resisters."

If, despite these views, there were to be any special defector program, Mr. McCloy urged that the U.S. limit its efforts to persons with either special information or special talents. All others, he felt—and repeated several times—should be discouraged. Frankly, he said, few of the defectors have been of much use to us. Mass defectors, he insisted, would do harm, especially if nothing is done for such people; they cannot be given a "pretty easy life", as he put it, and therefore might go sour and become a source of counter-Western propaganda. In any event, he did not expect any mass defection.

I asked what he believed should be done for those who did come out, encouragement or no. His response was threefold:

1. education for the young in existing institutions;
2. for the older, he was opposed to any U.S. agency to get jobs for them in Germany. He felt that was a German problem, and that the U.S.'s role should be limited to pricking Germany's conscience. He opposed any work subsidy or made-work;
3. a central research institute for exiles, perhaps financed by foundation funds, to generate and maintain a spirit of freedom. He

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[3] Coordinator for Europe, Displaced Persons Commission.

[4] Reference is to the program for admission of certain European displaced persons established by the Displaced Persons Act of 1948 (Public Law 80-774), enacted June 25, 1948; for text, see 62 Stat. 1009. Both Section 2, which dealt with the definition of "an eligible displaced person," and Section 12, which established special provisions for persons of German ethnic origin, were amended by the Act of June 16, 1950 (Public Law 81-555); for text, see 64 Stat. 219.

stressed political science. This he believed to be important as a means of preventing spiritual and intellectual deterioration. He thought it feasible to subsidize reliable newspapers or journals for a starting period, to help in morale and ideology. He had found this technique useful and practical in Germany.

2. *Expellees*

He very strongly and persistently expressed the view that the presence of the expellees in Germany was a boon, and not a harm, to Germany, because of the availability of valuable manpower. He believed that they had been fairly well assimilated. I expressed surprise and stated that the oft-expressed view back home was to the general effect that we were putting billions of dollars into Germany, and that we could both save the American taxpayer money and move toward greater European stability by relieving Germany of the pressures of overpopulation. He disagreed with this view and stated that the billions would have had to be spent in Germany, quite irrespective of the refugees, because of the dislocations caused by war. He said that the problem had not been aggravated by the refugees. By and large, McCloy insisted, Germany benefited by the migration of people into it.

When I asked him if the Congress should extend the expellee program, he said "yes, not because of the help to the German economy, but because of the good to our own". Germany did not need any such relief, he continued, but the U.S. did need and could use the good people who would thus be coming into the U.S. He repeated several times, take as many into the U.S. as you can get Congress to approve, but justify on the benefit to the U.S. and *not* on the benefit to Germany. He pointed out that historically countries of immigration gained and countries of emigration suffered thereby, and felt that Germany positively gained by the influx of refugees.

He cautioned me that some of his staff would disagree with his views. Further, he pointed out that his views were based on an anticipation of relatively early unification between East and West Germany, at which time there would be a counter-immigration back to Eastern Germany. He believed that such unifications would be under way in two years although not completed by then.

Ambassador Donnelly

1. *Recent Iron Curtain Refugees*

He firmly and vigorously espoused encouraging defection. He knew of the contrary school of thought, he said, but saw no point to it because if resistors stayed behind they would either be drafted into the slave machine or killed. He regretted the poor treatment defectors were receiving upon arrival in Austria. Vienna treated them reasonably well, but in U.S. Zone of Germany, they had a tough time. Until recently they were fined for illegal border crossing, and they are still allowed to remain in camps only 14 days. He saw no discrimination against them in employment.

Something must be done, he urged, else we defeat the purpose of the defector program.

He urged that it was unfair to load the whole program on the Austrian Government or for that matter on the U.S. Government.

His proposed remedy was immigration. The defectors' first preference was U.S. and their second was Canada. He proposed that recent Iron Curtain refugees be admitted into the U.S. at the rate of 200 per month, from Austria alone, on a selective basis.

He saw little point to an educational program for them in Europe because most of them want to immigrate and are not interested in staying in Europe.

2. *Expellees*

He prefers to keep the Volksdeutsche, as he kept referring to them, in Austria. He repeatedly stated that if we took them out, the Austrian economy would suffer. It was bad for Austria to lose its skilled labor and craftsmen.

He admitted that war uncertainty increased the interest of expellees in migrating, but said that stability would bring a sharp decrease of interest in migration. When pressed in legislative terms, Donnelly finally said that perhaps 500 Volksdeutsche per month, from Austria, could be taken. When Mr. Farrell,[5] his DP and refugee aide, suggested 1,000 per month, Donnelly openly stated that he doubted there would be that many interested people.

General LeRoy Irwin, Commanding General, U.S. Forces in Austria

In addition to meeting with McCloy and Donnelly, I had a conference with General Irwin, in Salzburg, on Sunday, December 23rd. I was accompanied by Messrs. Tarczynski[6] and Warren, Jr.[7] Also present were Col. Perry and Mr. Espy,[8] who is Ambassador Donnelly's liaison with General Irwin, and Mr. Kulischer,[9] Mr. Donnelly's DP and refugee representative in Salzburg.

After we concluded discussion of a security question (which is the subject of a separate memorandum),[10] the General himself raised the question of legislative future.

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[5] Michael A. Farrell, Chief, Displaced Persons Branch, American Embassy, Vienna.

[6] John T. Tarczynski, Senior Officer, Displaced Persons Commission.

[7] Presumably George Warren, Deputy Senior Officer, Displaced Persons Commission.

[8] James Espy, Special Assistant to the Ambassador and First Secretary, American Embassy, Vienna.

[9] Presumably William Kurylchek, Displaced Persons Officer, Salzburg, Austria.

[10] Not printed.

His views were as follows:

1. *Recent Iron Curtain Refugees*

The defectors are a most valuable source of intelligence information. If this program dried up, it would be hurtful to American interests.

With General Irwin's concurrence, Col. Perry, the General's G–2, put it thus: "The defectors are a most promising source of continuous low grade ore with an occasional nugget." He continued that it all results in "a total of very considerable value". If we let the defectors down, said Col. Perry, he was concerned about the negative effect on promotion of defection and the will to escape. He knew of no returns by defectors.

Both General Irwin and Col. Perry stressed immigration to the U.S. as a basic program for defectors. First, they were good people; second, they were less assimilable in Austria than the expellees; and, third, it would encourage further defection.

The General saw value in scholarships in European universities for such defectors. The Colonel preferred to see them come to the U.S. The General strongly urged that there ought to be a single central U.S. organization to coordinate the activities of all public and private agencies in connection with the defector program.

2. *Expellees*

All the non-DPC persons at the meeting were opposed to any expellee migration program from Austria. The General said their removal would damage the Austrian economy, that an enormous number of them had been absorbed into the economy and that the others were "not much good".

Mr. Espy said that Linz would welcome more people as workers. Mr. Kulischer reported that many industries were complaining about the migration. All agreed there was no job shortage, but that there was a bad housing shortage.

The General put it thus: apart from housing, there is no expellee problem in Austria, and he was definitely disinterested in any real expellee migration from Austria.

Mr. Robert Corkery has seen this memorandum. So far as it relates to the conference with Mr. McCloy and Ambassador Donnelly, it accords with his recollection of the conversations. He makes the observation that both Mr. McCloy and Mr. Donnelly were not really thinking of the need for help to Germany or Austria, as regards surplus population conditions existing therein, but rather of what can the U.S. get out of the program in the way of good people to bring into the U.S.

398.18 PICMME/1-2852

Memorandum by Commissioner Rosenfield to the Chairman of the Displaced Persons Commission (Gibson)[1]

CONFIDENTIAL [WASHINGTON,] January 9, 1952.

Future Legislative Picture—Conferences with Ambassador Dunn in Rome and Count Giusti, Italian Minister of Emigration.

I had conferences with Ambassador Dunn and Count Giusti, in Rome, on January 3, 1952, on the problem of refugees and overpopulation in Italy. In both instances, I was accompanied by Miss G. Mayerson, Senior Officer, and Mr. George Wellde, Information Officer.

Ambassador Dunn's views were as follows:

1. *Displaced Persons*

He is interested in those left. He said that in addition to the 27,000 still registered with IRO, there is another 28,000 unregistered, or a total of some 55,000 (this total does not include Trieste's problems). Most of these people, he feels, are not absorbed into the Italian economy. The only present hope for them that he sees is PICMME. Italy, he said, was satisfied with the very real movements from and through Italy in the last one and one-half years. It was willing to care for a hard-core remnant up to some 6,000, but 55,000 was beyond its means. Therefore, he saw the need of moving some 50,000 of this group of displaced persons and non-Italians.

2. *Venezia Giulia*

He said that "we can't do anything about" the 150,000 Venezia Giulians who are a burden on the Italian economy.

I asked whether we ought to extend the present VG program under Section 2(g).[2] He said: "No", don't reopen the situations of those who have settled. He felt that if we can't take the whole 150,000 we should not take any of them. This group of 150,000, he said, was one with which the Italian government would have to cope. This 150,000 gets into general overpopulation issue, and on this—to use his own words—he "would not do anything to give special consideration to people not as Italian as the real Italians."

3. *Trieste*

However, he did suggest that on the same principle as Section 2(g) but without regard to date of arrival, we admit 2,000 of the recent arrivals in Trieste (who might be called VGs) for the purpose of relieving AMG in Trieste.

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[1] Also sent to Commissioner O'Connor.

[2] Reference is to Section 2(g) of the Displaced Persons Act as amended by the Act of June 16, 1950 (Public Law 81-555). This section extended the definition of "an eligible displaced person" to include certain residents of Venezia Giulia who on or after May 6, 1945, departed from those parts of Venezia Giulia placed under Yugoslav sovereignty or administration under the terms of the Treaty of Peace with Italy signed on Feb. 10, 1947. For text, see 64 Stat. 219.

He said people are piling up in Trieste, and that there are some 3,500–4,000 refugees (not all Istrians or VGs) there. Tito, he said, is pushing people out into Trieste, for fear of foreigners. Dunn was most interested in emigrating the Istrians and thought an authorization of 2,000 would be sufficient. But he said AMG might want to do more. He specifically stated that he would rather I obtain AMG's views, rather than his, on Trieste because the VGs and others in Trieste were a separate problem from the VGs and others in Italy.

4. *Overpopulation*

Dunn said there were 2,000,000 unemployed, and that there were economic difficulties in Italy, especially in the south of Italy. In addition, there were many only partially employed (100 days per year) at low rates of pay. Italy has an annual increment of 450,000 people, or some 200,000 to 250,000 workers. He thought Giusti's figures (see below) were too conservative.

He informed me that DeGasperi made a strong plea on this subject to the President and Acheson. The President listened but said nothing. The Secretary of State said we were interested and would do everything possible for an international organization. However, Acheson continued that so far as immigration to the United States was concerned, we could not make any real dent on the numbers in view of the general immigration situation.

Dunn thought Celler's [3] bill for 50,000 in five years was "a good idea, but doesn't scratch the surface". "The Italians are a good element and you would get good people." He expressly said he would voice no opinion on the domestic political feasibility of admitting them.

The major purport of his remarks on Italian overpopulation, however, was that it was primarily a European problem and not an overseas one. He saw it possessing world implications, but several times reiterated his conviction that something be done about it on a continental basis. He expressed displeasure at the failure of western Europe to do anything about it. "It is criminal", he said, "that more has not been done by Italy itself—it is the most important thing that can be done in Italy. It has too many people."

He said, for example, that France alone could take two million Italians, and that Belgium and England needed and could use Italians. In France, it was largely, he said, a prohibition on Italians remitting funds to their families in Italy. England took 600 miners, but the unions opposed it. He thought that perhaps a European Federation would bring it about.

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[3] Representative Emanuel Celler (D.-N.Y.).

I returned to the possibility of an overseas solution. He was "afraid that if we think only of overseas countries, it would be too costly and that therefore we would get no results."

What was his solution? I asked.

Dunn proposed, as follows:

1. Continuation of PICMME. He felt that all concerned would be more inclined to act if there was an instrumentality of international cooperation.

2. Creation of a special committee of outstanding citizens (after the mould of Paul Hoffman, he said) from each of the free countries of Europe, to get to work on this problem in a practical and realistic way as a matter of their mutual defense. He stressed the need for people with stature in their own countries, and not merely career diplomats.

"Keep it out of the hands of the technicians," he insisted, "or civil servants." He felt certain that such a group of men would come up with a solution which would be accepted by their own nations. He even suggested a person for Italy: Senator Merzagera of Milan, a banker and formerly Minister of Overseas Trade in 1946.

He felt that OEEC could do the job, but thought that NATO ought not be involved in it because of the civilian character of the problem.

At the present, and in the absence of such a committee, Italian overpopulation, he said, is like Mark Twain's weather: everyone talks about it but no one *does* anything.

3. Such a committee would work out a basic plan, in keeping with the basic pattern that requires a European continental solution. Then, he thought, the U.S. and Latin America would "fill it out".

I asked: "What do you conceive the United States' role to be?" He answered: a) financial help on costs of movement in small proportion, since it was a European problem; b) legislation for immigration to the United States "if only as an educational feature". He repeated here "it is primarily a continental problem, and we can get things moving first in France."

In terms of American legislation, he stressed the great importance of quota change legislation for Italian good-will and as a real weapon v. communism. The communists are opposed to emigration "even 7,000 to 8,000 has tremendous importance". The Walter voting bill[4] "had terrific effect" and Celler's visit[5] "did a lot of good". "But we need action," he concluded.

Count Giusti's views were as follows:

(1) Italy needs to emigrate 200,000 persons a year for five years. "IRO was a good start."

(2) Italy has 1½ to 2 million unemployed, plus the same number of half-employed, especially in agriculture.

(3) Other solutions to problem won't solve it now:

(a) "a lot of people in Italy are going on road of birth control," but that is a solution for the next, not the present, generation,
(b) possibility of investments for economic development is hampered by Italy's lack of coal, oil, and other resources,
(c) modernization of agriculture would only result in (at least, short range) unemployment.

(4) Therefore immigration was necessary.

From the end of World War II, 800,000 persons emigrated at an annual average of some 160,000–170,000 persons. With pressure, he thought this could be raised to 200,000.

PICMME could account for some 30,000 to 40,000. Perhaps there was some possibility of 10,000 to 20,000 a year to British mines. But Italy's need is 400,000 to 500,000 emigrants a year. Therefore he saw a deficit of some 200,000 to 250,000 per year.

(5) There were two possibilities, he said:

(a) underdeveloped countries, such as South America and Africa. But this needed money, and he was pessimistic about its availability,
(b) immigration to the U.S. The Italian quota was "ridiculous". U.S. needs manpower. He felt it was necessary to find any possibility of transferring Italian manpower to U.S. thru:

(i) special legislation
(ii) use of quotas unused during the war
(iii) a generalized NATO quota. "If we must die together, we must also live together."

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[4] Reference is to the act of Aug. 16, 1951 (Public Law 81–114) sponsored by Representative Francis E. Walter (R.-Pa.) which provided for the expeditious naturalization of former U.S. citizens who had lost their citizenship solely by voting in a political election or plebiscite held in Italy between Jan. 1, 1946, and Apr. 18, 1948. For text, see 65 Stat. 191.

[5] Representative Celler was in Italy Dec. 2–11, 1951. During the course of his visit, he made a number of statements indicating that he would seek legislation expanding the categories of expatriated Americans who would be eligible for repatriation, modifying the immigration regulations of the Internal Security Act, allowing the admission of 50,000 Italian immigrants into the United States over a period of 5 years, and authorizing an additional $10 million for direct aid to the flood victims of northern Italy. Documentation concerning this visit is in Department of State file 033.1100 CE for 1951.

(6) "Every Italian immigrant to the U.S. means five votes in Italy against communism." At present, Togliatti is complaining that there is no immigration; as soon as there is, he would oppose it because it means votes against communism and because it decreases tensions in Italy.

(7) *Italian Migration Plans to Other Countries*

A. *Australia*

1. No fixed number. Australia decides on number every six months. He estimated it would be some 30,000 to 35,000 per year. They are taking only single men now.

2. Difficulties:

(a) medical selection requirements on family members too rigid,
(b) union restrictions on apprenticeship and training,
(c) political screening. He derided efforts to screen. "The really dangerous ones go by diplomatic ways." Although 4,000,000 Italians voted communist, there are not that many communists—only 300,000, and they have a file on every one. Unless they are among that 300,000, "practically not a dangerous communist." Communist party membership totals 1,000,000. However, he insisted that lots of people join all the Italian parties as a defense mechanism.

B. *Brazil*

1. Very little, and just beginning. At most, 25,000 next year.

2. Social conditions and standard of living was very bad for unskilled labor, though O.K. for skilled.

3. Costs $5,000 to transfer family to Latin America. Later in the conversation he said it cost $1,000 per person, including shipment and economic development, but excluding cost of land.

However, he pointed out that this cost is mitigated by fact that once a family migrates it itself brings over its own relative.

4. I asked why Italy and Brazil did not collaborate on a request for a developmental loan from the International Bank just as Australia had done. His answer was an embarrassed: perhaps the Australian political situation is further advanced, and international controls.

C. *Canada*

1. Perhaps 20,000 to 25,000 per year. But there is a political question there.

D. *Sardinia*

1. Can get 100,000 people into Sardinia but that would end it. If got 100,000 people into Brazil, they would bring over another 100,000.

Editorial Note

The legislative history of the Immigration and Nationality Act of 1952 is complex. The first omnibus immigration and nationality bill, S. 3455, was introduced on April 20, 1950 by Senator Pat

McCarran (D.-Nev.). A revised version of this bill, incorporating various changes proposed by governmental and non-governmental agencies and organizations, was introduced by McCarran on January 29, 1951, as S. 716. On February 5, 1951, Representative Walter introduced a companion bill, H.R. 2379. From March 6 to April 9, 1951, the House and Senate Subcommittees on Immigration held joint hearings on these bills.

On August 27, 1951, Senator McCarran introduced a third version of his omnibus bill, S. 2055, which reflected the various changes urged at these hearings. On October 9, Representative Walter introduced a revised companion bill, H.R. 5678, which was passed by the House on April 25, 1952, by a vote of 206 to 68. On May 22 the Senate, by voice vote, passed a revised version of the McCarran bill, now numbered S. 2550. The Senate also voted to strike out H.R. 5678, substituting the provisions of S. 2550 but retaining H.R. 5678 as the bill number.

Differences between the Senate and House versions were reconciled in conference on June 9. The conference report was adopted by the House on June 10 by a vote of 203 to 53, and by the Senate on June 11 in an unrecorded vote. President Truman vetoed the bill on June 25. On June 26, the House overrode the veto, 278 to 113; on June 27, the Senate followed suit by a vote of 57 to 26. The Immigration and Nationality Act (Public Law 82-414) was thus enacted on June 27, 1952, and became effective on December 24. For text, see 66 Stat. 163.

PIN files, lot 56 D 324, "Minutes, 1947-54"

Minutes of the 58th Meeting of the Policy Committee on Immigration and Naturalization, Held in the Department of State, 2:30-4 p.m., January 11, 1952

CONFIDENTIAL

PIN M-58

Present: Conrad E. Snow, L/FE, Chairman
Robert C. Alexander, VD
Samuel D. Boykin, CON
Richard M. Cashin, A/MS
Arthur Z. Gardiner, NEA
George Gray, H
James Keegen, L/EUR
Richard J. Kerry, UNI
George Knight, L/EUR
Kenneth P. Landon, PSA

Hillis Lory, NA
Virginia Massey, IEP [*IES*]
Eugene C. Rowley, PD
Peter Rutter, WE
Walter Thurston, S/P (also representing ARA)
William S. Lambert, S/S-S, Secretary

Department of State Comments on H.R. 5678[1] *(See PIN D-24b,*[2] *January 9, 1952)*

[Here follows discussion of various revisions of H.R. 5678 desired by the Passport Division.]

2. *Discussion:* Mr. Boykin said that H.R. 5678 is very similar to the Senate bill on which representatives of the State Department had testified at joint Senate-House hearings.[3] Mr. Alexander said that the principal difference between the Senate and House bills is that the latter provides for a joint watch dog committee to examine the administration established in the bill, whereas the Senate version does not.

3. The Committee turned to the previous recommendations (PIN D-24b) and Mr. Alexander stated that the Department should avoid making any recommendations that would delay the passage of this bill which is excellent in most respects, notably in that it removes the Asiatic racial barrier which is important in connection with the ratification of the Treaty of Peace with Japan. The new bill will provide that the Japanese will not be banned for reason of race but will be admitted under a quota of 185 per year. Mr. Lory commented that the Office of Japanese Affairs desires to get this bill passed as soon as possible since it will tremendously improve our foreign relations with Japan and will play an important part in keeping Japan on our side in this critical time in the Far East. The Chairman said that it would not be the purpose of the committee to delay the passage of the bill but rather to present its suggestions for changes considered desirable. Mr. Alexander noted that the House Committee is meeting on Tuesday morning, January 15, and that it would be helpful if it could have our letter saying that we would like to send representatives to discuss certain aspects of the bill.

[Here follows discussion of certain changes in the wording of the bill that some of the bureau representatives wanted to see adopted by the Judiciary Committee.]

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[1] See the editorial note, *supra*.

[2] Not printed. (PIN files, lot 56 D 324, "Minutes, D19 to 28")

[3] See "Revision of Immigration, Naturalization and Nationality Laws," *Joint Hearings before the Subcommittees of the Committees on the Judiciary*, 82d Cong., 1st sess. (Washington, 1951).

398.18 BR/1-1752

Report on the Conference on Migration and on the First Session of the Provisional Intergovernmental Committee for the Movement of Migrants From Europe[1]

CONFIDENTIAL WASHINGTON, January 17, 1952.

The Conference on Migration, convened by the Belgian Government at the suggestion of the United States Government, met in Brussels from November 26 through December 5, 1951. The Provisional Intergovernmental Committee for the Movement of Migrants from Europe, established by decision of the Conference on Migration, held its initial meeting for purposes of organization at Brussels from December 6 through December 8, 1951.

Section 16 of the Displaced Persons Act of 1948, as amended (P.L. 555, 81st Congress),[2] authorized the U. S. Government to participate in an international conference to develop ways of alleviating the problems of excess population in certain countries in Europe.[3] Section 115 (e) of the ECA Act of 1948, as amended (P.L. 535, 81st Congress)[4] directed the ECA Administrator to encourage the emigration of surplus manpower from participating countries to areas where such manpower can be effectively utilized. The Mutual Security Act of 1951, P.L. 165, 82nd Congress,[5] in Section 101(a) (2) authorized the expenditure of funds up to $10,000,000 to effectuate the principles set forth in Section 115 (e) of the ECA Act of 1948, as amended. The Appropriations Legislation, P.L. 249, 82nd Congress, 1st Session, for the Mutual Security Act of 1951,[6] earmarked $10,000,000 to be used specifically for migration purposes.

In order to implement the foregoing Congressional Acts, the Department invited the Belgian Government, and the Belgian Government accepted, to convene a Conference on Migration at Brussels on November 26, 1951. Twenty-seven governments attended the Conference, eight as observers—Argentina, Denmark, Guatemala, Israel, Norway, Paraguay, Peru and Sweden. The Governments of Ecuador, El Salvador, Panama, Portugal, New Zealand, the Union of South Africa and Uruguay, though invited, did not reply or reported that they were unable to send representatives. A preparatory informal conference of nine governments whose representatives were present at Brussels was held on November 23, 1951.

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[1] Drafted by George L. Warren, Adviser on Refugees and Displaced Persons, Bureau of United Nations Affairs.

[2] Enacted June 16, 1950; for text, see 64 Stat. 219.

[3] According to the text of the official conference report, there were actually three separate problems involved: The problem of expellees of German ethnic origin who still remained in Germany and Austria; the pressures of surplus population in certain critical areas, especially in Italy and Germany; and the problems resulting from the continuing flow into Western Europe of new refugees from behind the Iron Curtain. With the scheduled termination of the International Refugee Organization, there would no longer be any machinery to deal with these problems on an international level. (398.18 BR/1-2152)

[4] Enacted June 5, 1950; for text, see 64 Stat. 198.

[5] Enacted Oct. 10, 1951; for text, see 65 Stat. 373.

[6] Enacted Oct. 31, 1951; for text, see 65 Stat. 730.

At the opening session on November 26, 1951, the U.S. Representative[7] presented a plan for the establishment of a provisional intergovernmental committee on migration to facilitate the movement of migrants from Europe. This plan proposed that twelve ships, to be relinquished on the termination of the International Refugee Organization (IRO) on January 1, 1952, be taken over to move approximately 115,000 persons, who would not otherwise be moved, during one year from Germany, Austria, Italy, the Netherlands and Greece, to countries of immigration at an over-all estimated cost of approximately $34,000,000. The United States would contribute $10,000,000 of this sum, provided a total budget of approximately that proposed was adopted. It was suggested that membership in the committee be open to all non-Communist Governments and that each member, as a matter of obligation, contribute an agreed share to the Administrative Expenses of approximately $3,000,000. Contributions to the Operating Fund were to be voluntary. Of the U.S. contribution, approximately $1,000,000 would be allocated to the Administrative Expenses, and $9,000,000 to the Operating Fund, which was set at $12,000,000 to $14,000,000.

The general discussion following presentation of the U.S. proposal indicated virtually unanimous acceptance of the proposal in principle. Some representatives expressed disappointment at the limited numbers of migrants and refugees to be moved. There was general agreement that the organization proposed should be provisional, flexible in character, and temporary, that its Administrative Expenses should be held to a minimum, and that the maximum of the resources made available should be allocated to operations. There was also unanimous agreement that refugees should be included among the persons to be moved. Questions were raised, particularly by the Italian and United Kingdom representatives, as to the necessity of utilizing the IRO ships in the proposed movement on the grounds that commercial shipping was considered adequate for the purpose. The draft resolution proposed by the U.S. representative was criticized sympathetically by some representatives because of failure to present a proper balance between the interests of emigration and immigration countries. However, the basic elements of the plan received general acceptance as well suited to meet the current requirements of emigration and immigration countries with respect to migration.

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[7] George L. Warren.

Questions were raised as to the proposed relationships between the committee and other international and non-governmental bodies. The UN High Commissioner for Refugees, strongly supported by the Netherlands representative in particular, made a plea for a special status for himself as a non-voting member of the committee. The representatives of two international organizations of labor unions present as observers, the ICFTU and the ICCTU, were critical of the lack of provision in the plan for direct participation in the committee by representatives of organized labor.

In replying to the foregoing observations, the U.S. Representative agreed that the plan proposed was a modest one, but emphasized the necessity of a demonstration of viability of the plan as a prerequisite to its expansion to meet the problem of surplus population on a more adequate basis. It was necessary, he said, to build soundly on small beginnings and to provide for development on the basis of acquired experience. He also assured the Conference that the proposals did not in any way envisage that the committee would trespass in its activities on those of any other existing organization, and that any assistance which could be afforded by other bodies engaged in related activities would be welcome. He stressed that the plan proposed operations for one year, during which the government members of the committee might decide, in the light of existing circumstances at the time, whether the plan was to be expanded, extended or terminated.

With respect to the question of shipping, the U.S. Representative stated that his Government was convinced that the ships presently operated by IRO and reconditioned at great expense to international funds for the movement of migrants would be required, if additional migrants were to be moved from Europe beyond those presently moving under other auspices. In order to remove all possible concern that the committee might compete with commercial operations, he stated that the United States would propose that the committee adopt a policy of utilizing all commercial shipping offered which would meet essential requirements, namely, adequate accommodation in accordance with the regulations of ports of embarkation and disembarkation, availability when needed at specific ports of embarkation, and for specific routes of transport, and prices comparable to those established by the committee's experience in operation. A Working Party of Experts on Shipping,[8] later made a similar recommendation to the Conference. The U.S. Representative also stressed the advantages to be gained in operating a fleet of ships for migration purposes under international auspices, such as greater flexibility in movement, savings in costs and shipping schedules arranged to suit the particular needs of emigration and immigration countries.

Upon the conclusion of the general discussion, the Conference proceeded to amend the draft resolution submitted by the U.S. Representative establishing the committee and to examine the proposed administrative and operational budgets together with the texts of various resolutions required to be adopted in order to bring the proposed intergovernmental committee into formal existence.

The basic Resolution to Establish the Provisional Intergovernmental Committee for the Movement of Migrants from Europe (Document MCB/2/Rev.5)[9] was formally adopted on December 5, 1951 by a vote of 16–0–1. The governments voting for the resolution were Australia, Austria, Brazil, Belgium, Bolivia, Canada, Chile, France, German Federal Republic, Greece, Italy, Luxembourg, the Netherlands, Switzerland, Turkey, and the United States. Austria, though absent at the vote had previously directed that its vote be recorded as favorable. There were no votes in opposition. The United Kingdom abstained on the grounds that further examination of the proposal would need to take place in London. Although Argentina voted for the resolution, Guatemala abstained, and Colombia, though absent, later requested to record its vote as an abstention, none of these votes were recorded in the final tally since the first two, Argentina and Guatemala, were observers, and Colombia was not, in fact, present at the vote. Paraguay and Venezuela were also absent at the vote. Denmark, Israel, Norway, Peru, and Sweden responded as observers. The text of the resolution as finally adopted did not deviate in any important matter of substance from that which was submitted by the U.S. Representative. Of the countries voting for the resolution, the emigration countries—Austria, the German Federal Republic, Greece, Italy and the Netherlands—indicated forthrightly their intention to participate in the Committee, subject to the completion of the necessary steps to make their contribution available. Of the immigration countries, Australia and Canada, while expressing firm support of the proposal, reported that formal action of adherence in addition to legislative actions concerning their financial appropriations would be required to be taken later. Brazil, Bolivia and Chile made reservations based solely on the completion of the required appropriations actions. Of the non-emigrant and non-immigrant governments voting for the resolution, Belgium, Luxembourg and Switzerland were positive in indicating their adherence subject to the completion of legislative actions concerning their financial contributions. The representative of France, while supporting the proposals wholeheartedly, stated that formal action of adherence and financial participation would require a few weeks in time after the Brussels Conference. The final position of the Government of Turkey with respect to actual adherence remained uncertain at the end of the Conference.

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[8] The Working Party held meetings Nov. 29–Dec. 7 and was composed of shipping experts from the French, German, Dutch, British, and U.S. Delegations; immigration specialists from Australia and Canada; and observers from Norway and the IRO.

[9] Not printed.

Paragraph (10) of the operative part of the resolution reads:

> "*Agree*
> "that the Committee will give early consideration to the question of the relations to be established with international, non-governmental and voluntary organizations conducting activities in the field of migration and refugees;".

During the course of the consideration of the draft resolution Dr. van Heuven Goedhart, UN High Commissioner for Refugees, proposed to the United States and other delegations that he be granted the special status of "participant" in the work of the Committee. By this he meant that he should sit at the Committee table with representatives of the governments with freedom to take part at any time in the discussion, but without the right to vote. This position would be different from that of observers who sit at the rear of the room in the Committee meetings and speak at the invitation of the Chairman after submitting a request to do so. Dr. Goedhart justified his claim on the ground that the General Assembly of the United Nations had established a precedent for this status of the High Commissioner at the Diplomatic Conference in Geneva in July 1951 on the Convention relating to the Status of Refugees. The U.S. Representative explained to Dr. Goedhart that the grant of this special status would automatically stimulate claims for similar status, particularly by the ILO, and possibly by other organizations such as the OEEC. Such a claim by the ILO, if accepted by the Provisional Committee, would cause real embarrassment to the United States in view of the special provision of the MSA Act with reference to the ILO.[10] Dr. Goedhart did not believe that the ILO

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[10] Reference is presumably to the text of the House-Senate conference report on the Mutual Security Act of 1951 which emphasized that Congress intended that none of the funds therein authorized to facilitate emigration from Europe "be allocated to any international organization which has in its membership any Commu-

Continued

would press such a claim. The Netherlands representative presented to the drafting committee on the resolution a text providing for this special status for the High Commissioner but on realization of the difficulties involved in the proposal accepted the text of para (10) as finally adopted, believing with the U.S. Representative at the time that the problem would be discussed by the Provisional Committee at the Brussels meeting. Later, in the course of the meetings of the Provisional Committee, the Netherlands Representative voluntarily offered to postpone all discussion of the matter until the second session of the Provisional Committee some time in February 1952.

Following the adoption of the resolution, the members of the Conference, continuing under the Chairmanship of Mr. Franz Leemans of Belgium, met from December 6 through 8, 1951 to consider the various proposed draft resolutions, the adoption of which was essential to bring the Provisional Committee into formal existence.[11] The governments represented at the initial session of the Provisional Committee were Australia, Belgium, Bolivia, Brazil, Canada, Chile, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Switzerland, the United Kingdom and the United States. The Observers present at the Conference continued in attendance.

[Here follows discussion of various procedural matters taken up at the first session of the Provisional Committee, the percentage to be contributed by each member to the administrative expenses of the organization, and the Committee's inability to fill the Office of Director at this session.]

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nist, Communist-dominated or Communist-controlled country, to any subsidiary thereof or to any agency created by or stemming from such an organization. It is vital to the security of the United States and to the success of the surplus-manpower emigration program that no international body with Communist influence receive any United States assistance for the purpose of such a program." (House Report 1090, 82d Cong., 1st sess., p. 21) This stipulation effectively killed a five-year plan for resettling Europe's surplus populations then under discussion within the ILO.

[11] A resolution adopted at the fourth session of the Provisional Committee, held at Geneva, Oct. 13-21, 1952, provided for the Committee's continued operation during 1953 under the title: "Intergovernmental Committee for the Movement of Migrants from Europe." See the Report on the Fourth Session of the Provisional Intergovernmental Committee for the Movement of Migrants from Europe, dated Nov. 26, 1952, p. 1617.

398.18 PICMME/1-2852

The Director of the Bureau of German Affairs (Byroade) to the United States High Commissioner for Germany (McCloy)[1]

CONFIDENTIAL [WASHINGTON,] January 30, 1952.

DEAR McCLOY: Bob West, Special Assistant to the Secretary on Migration Affairs, came in the other day to discuss the effort in which the Department is participating to secure special legislation at this session of the Congress which would permit entry into the U.S. of numbers of immigrants substantially in excess of those permitted under the quotas. This effort follows somewhat along the lines of Displaced Persons legislation which, as you know, has been fulfilled. The effort deals particularly with the admission of people from certain areas in Western Europe where acute problems of over-population exist and, of course, Western Germany has been considered one of the principal areas. We have felt that, even after taking into account the utmost that might be expected from the expanding economy of Western Germany, there still would remain substantial numbers of people who have little chance of satisfactory resettlement within Western Germany and consequently we should support efforts which would help create possibilities of resettlement for voluntary emigrants. This consideration has been basic to the position which the U.S. has taken in several international conferences dealing with the subject and is one of the factors underlying the effort now being made to secure special legislation as to immigration into the U.S.

West told me that Mr. Harry Rosenfield, Displaced Persons Commissioner, on returning from his recent trip to Europe, reports that you do not feel that Western Germany needs such help as might be afforded by the promotion of possibilities of emigration. I was somewhat surprised at this report because it reflects a view contrary to my understanding of the situation which has developed in Western Germany as a result of the influx of the refugees and expellees. You will recognize the difficulty of promoting this matter of special legislation here in the U.S. if you think that efforts to promote possibilities of emigration are unnecessary or undesirable from the point of view of the interests of the Federal Republic. I cannot help but wonder whether Mr. Rosenfield did not receive an impression in his conversations with you which does not fully reflect your views of the situation and it would be very helpful indeed if you would give me your appraisal of the usefulness of endeavoring to provide an outlet for some of these people here in the U.S.

Sincerely yours,

HENRY A. BYROADE

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[1] Drafted by Robert West and Geoffrey W. Lewis, Deputy Director, Bureau of German Affairs.

398.18 PICMME/1-2852

The United States High Commissioner for Germany (McCloy) to the Director of the Bureau of German Affairs (Byroade)

CONFIDENTIAL BAD GODESBERG, February 5, 1952.

DEAR HANK: On the matter of my conversation with Rosenfield, I pointed out to him that, although at the moment, Western Germany is overpopulated, I did not think that Germany as a whole was overpopulated. We have had an enormous influx of Germans from the Soviet Zone and I think that when Germany is united that population is going to find its way back to the East Zone to a large degree. Therefore, viewed as an over-all problem, the German situation is not comparable, let us say, to that of the Italian, where there is a permanent overpopulation of serious proportion.

Furthermore, the overpopulation in Western Germany, although it has brought about some miserable housing conditions and does constitute a social risk, is not without its favorable aspects. It has provided a reservoir of labor which has tended to increase the productive capacity of the country, thus reducing the risk of inflation. Moreover, a large amount of new talent has been brought into the area, and I think that generally speaking one can say that the whole area has been enriched rather than overburdened by the influx from the East. I told Rosenfield I thought that if at any time in the relatively near future Germany were united, the German population problem would not be severe.

On the other hand, looking at it from the point of view of our own good, I believe we should increase the quota. In talking with Rosenfield I think I tended to oversimplify the problem a bit, because there is no doubt about it that emigration from Germany at this time would ease a lot of immediate social problems. I do not think it is a serious long-range problem, particularly if we can contemplate unification in the near future. So much has been said about the refugees in Germany, and some of their living conditions are so spectacularly dismal, that I think we are inclined to exaggerate the burdens the refugees impose.

In short, although I am in favor of increasing the quota, my arguments would be based less on the critical situation here and more on the benefits to the United States that an increased quota would involve.

Sincerely,

J. J. MCCLOY

PIN files, lot 56 D 324, "Minutes, 1947–54"

Minutes of the 59th Meeting of the Policy Committee on Immigration and Naturalization, Held in the Department of State, 3–4:30 p.m., March 5, 1952

CONFIDENTIAL

PIN M-59

Present:	Conrad E. Snow, L/FE, Chairman
	Robert C. Alexander, VD
	Richard M. Cashin, A/MS
	Laurence Dawson, UNA/R
	Daniel Goott, E/L
	George Gray, H
	Richard J. Kerry, UNI
	George Knight, L/EUR
	Kenneth P. Landon, PSA
	Inez M. Manderson, GER
	Howard H. Russell, IES
	Peter Rutter, WE
	Irwin Tobin, S/M
	George Warren, UNA/R
	William S. Lambert, S/S-S, Secretary
	Leonard J. Horwitz, S/S-S

Note: Mr. Spalding, ARA, informed the Chairman just before the meeting began that ARA had no objections to the message being considered by the Committee.

Presidential Message on Special New Immigration Program[1] *(PIN D-29, March 4, 1952)*[2]

1. *Action:* The Chairman appointed a drafting committee to draw up the Department's comments and suggested revisions of those aspects of the Presidential message which concern immigration. The following were appointed to the drafting committee:

Mr. Knight, Chairman
Mr. Rutter
Mr. Tobin
Mr. Dawson

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[1] This message was transmitted to Congress on Mar. 24, 1952. For the text, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1952–1953* (Washington, 1966), pp. 209–215, or the Department of State *Bulletin*, Apr. 7, 1952, pp. 551–555.

[2] Not found in Department of State files. All page references in these minutes refer to PIN D-29.

Mr. Gray
Mr. Landon
and a representative of the Visa Division.

2. *Discussion:* The Chairman called attention to the three essential recommendations of the Presidential message on pages 11 and 12 of PIN D–29: (1) the admission to the U.S. of 300,000 immigrants over a three-year period; (2) the granting of visas to not more than 7,500 persons being processed under Section 2(c) of the Displaced Persons Act at the time of its expiration; and (3) a program for the reception and temporary care in Europe of refugees from the Soviet Union and satellites. He noted that the third recommendation is in the province of the Psychological Strategy Board and beyond the competence of PIN.

3. Later in the meeting, Mr. Warren said that he had just come from a conference at the White House at which the urgency of sending the Department's comments had been stressed, and the Chairman added that those comments should be sent no later than March 6.

First Recommendation

4. Mr. Goott was concerned by the emphasis placed on the need for refugees in the U.S. based on manpower criteria. He thought that this emphasis might expose us to some difficult questions and hamper success in getting trade union support. He suggested that we take the position that we should do this for certain foreign policy reasons, noting that these refugees could be absorbed into the American economy.

5. Mr. Rutter asked the origin of the 300,000 figure and Mr. Tobin believed that this had been based on an estimate made by the Displaced Persons Commission that this was the highest number which could be processed under existing conditions. Mr. Tobin noted that shortly after Christmas the White House called together people from State, MSA, Justice, Labor and the Displaced Persons Commission to study this problem—partly because of the President's interest in the Italian surplus manpower problem following his talks with Premier De Gasperi. A report on the problem of admitting special immigrants into the U.S. and, subsequently, a draft Presidential message were submitted by this group as individuals—not representing the views of their agencies. Mr. Tobin said that this group did not consider the Kersten Amendment[3] as such.

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[3] Reference is to the amendment to the Mutual Security Act of 1951 submitted by Representative Charles J. Kersten (R.–Wis.) on Aug. 17, 1951, which provided for the formation of refugees and escapees from countries behind the Iron Curtain into "national elements of the military forces of the North Atlantic Treaty Organization." See *Congressional Record,* Aug. 17, 1951, pp. 10261–10263.

Mr. Dawson noted that when the first draft Presidential message had been sent to his office from the DPC it was alleged to be the report of an interdepartmental committee; State maintained that the group was not such a committee since the Visa Division had not been invited to participate in its activities.

6. Mr. Alexander commented that the Visa Division recognizes that there is no chance of obtaining passage of legislation such as this and he thought that it might be detrimental to raise false hopes among people abroad by making such a proposal in a special Presidential message. He thought that there should be some exploratory work done on Capitol Hill to evaluate chances of passage.

7. Concerning the proposal itself Mr. Alexander thought that it raised many questions. He thought the bill highly discriminatory since no mention is made of the Far East where a very serious refugee problem exists, and he agreed with Mr. Goott concerning the emphasis on manpower needs. He did not favor the implication in the first paragraph on page 1, the last line of page 3, and the second line of page 6 that the U.S. has the responsibility to relieve countries of overpopulation. He questioned the accuracy of the estimate that 330,000 victims of tyranny have been resettled in the United States (page 1, paragraph 3). With regard to the 54,744 Germans who had been driven out of, or fled from, areas East of the Iron Curtain (top of page 2) he noted that these were not German nationals but German ethnics. With regard to the cooperation of voluntary private agencies, he noted that this new program would not be successful unless these agencies give the same cooperation to it. Returning to the first recommendation concerning the admission of 300,000 immigrants over a three-year period, he asked whether those people are to be granted visas and Mr. Tobin believed that they would be and that their admission would be regulated by all existing safeguards.

8. Mr. Kerry raised the question of State's role in this matter if the White House has already decided to request this legislation and Mr. Gray noted that sending Presidential messages and speeches to the Department for comment is a usual device. The Chairman called attention to Mr. Lloyd's request for comments and suggested revisions.

9. Mr. Knight noted that the message strongly implies that the DPC has been praiseworthy and he thought that it would take time to judge whether this is actually the case.

10. Mr. Warren commented that the assumption concerning the cost of transporting immigrants (bottom of page 11, top of page 12) is not realistic since all experience would indicate that the immigrant and the government together could not provide half the cost

and the voluntary agencies are not in a position to underwrite the expenses.

11. Mr. Tobin thought that, as Mr. Alexander had suggested, the effect of the message abroad, particularly in Italy, deserved some consideration. Concerning the U.S. responsibility for relieving European over-population, he believed there had been a trend in the Department and elsewhere toward the view that we should try to assist in the solution of this problem, and he called attention to the joint statement made a year and a half ago by the U.S., U.K., and French Foreign Ministers. He noted that last July the Under Secretary's Meeting had considered two recommendations: (1) the creation of an international organization to be of assistance and (2) special admission of immigrants as one phase of the U.S. contribution. He noted that the second recommendation had not been acted upon in the UN but that the opinion had been expressed that action along this line would not be feasible at that time. The result was that the Department took no position but that there was an assumption that the U.S. had an interest in the problem and its solution.

12. Mr. Rutter said that he had not checked with the Italian Desk recently but he believed it felt that to recommend this legislation if there was no possibility of passage would be detrimental to our relations with Italy. He said that he would verify this.

13. Mr. Kerry pointed that if it is considered to be a problem whether to request the admission of 300,000 or some other figure, it should be noted that Congress can set the figure at whatever level it desires.

14. Mr. Alexander said that proposal of this legislation might interfere with the passage of the omnibus bill which is closely connected to the Peace Treaty and our relations with Japan as well as to other Asian immigration problems. Mr. Gray noted that the omnibus bill has been reported out by committees of both houses and would be receiving consideration by the Senate and the House while hearings on the present proposal were proceeding.

15. The Chairman asked whether the Department could recommend that no answer be sent and Mr. Warren replied that he did not know, but he was interested in Mr. Rutter's comment that the presentation of this bill and its subsequent rejection would have a disastrous effect on our relations with Italy, especially since one reason for proposing this legislation is to improve our relations with that country.

16. Mr. Landon said that the message seemed to make no reference to the Far East where there are many political refugees and tremendous overpopulation. He agreed with Mr. Alexander's comments on the connection with Far Eastern problems. Mr. Tobin

said that the difficulty of this draft is that the language focuses on refugees while the recommendation deals with overpopulation, and he agreed that this was undesirable.

17. The Chairman called for a vote on the recommendation that no message of this kind should be sent at the present time, and three members of the committee voted in the affirmative. Mr. Goott asked whether the White House had ever received any advice from the Department of State in arriving at the decision to make this proposal, and Mr. Warren said that none had been given officially. Mr. Tobin noted that no Departmental position had been taken on the proposal since it had been emphasized that the views which had been expressed by his office represented only the views of the individual submitting them. Mr. Rutter said that he would have to consolidate the opinions of the EUR area but that if the remarks which he had made concerning the opinion of the Italian Desk were accurate he would tend to vote for the proposal that the Chairman had put before the committee. Mr. Goott said that it was difficult to vote on the proposal because although he would support the objective of the message and legislation he was unable to resolve the problem of whether it is tacticly advisable for the President to take this action now. Mr. Landon commented that the Far East is involved in "the necessity for U.S. leadership to help solve the problems posed by refugees from communism and by overpopulation" (page 11), and he therefore voted for the recommendation before the committee. The Chairman noted that the vote which had been taken was inconclusive but indicated a trend of opinion.

18. Mr. Alexander mentioned his impression that when Congress authorized the money for international meetings abroad on the migration question, a stipulation had been added that none of the money would be used for formulating plans to bring immigrants into this country. Mr. Kerry believed that none of these funds had been used for that purpose.

19. Mr. Gray believed that the Department should call to the attention of the White House the possible effects of the message especially if the proposal were not acted upon, and that the Department should also comment on the discrimination evident in the propcsal, particularly concerning the Far East. Mr. Goott and Mr. Tobin generally agreed with this. Mr. Tobin believed that the Department's comments should include the favorable aspects of the proposed legislation including the concern that the Department has felt on the subject of overpopulation in Western Europe and about which we have repeatedly stated our interest.

20. Mr. Dawson spoke in favor of the proposal to admit 7,000 non-German political and religious refugees from communism, in

connection with the escapee defector plan[4] inadequately mentioned in the third recommendation. This program is a special one now in the process of formulation and he thought that our capacity to deal with this problem will be enhanced by our action to admit 7,000 escapees. The Chairman suggested that Mr. Dawson present this point to the drafting committee. Later in the meeting Mr. Goott asked whether the provision for 7,000 could not apply globally, and Mr. Gray commented that we should assume that present immigration curbs will cut across the bill. Mr. Dawson was sure that the burden was on refugees in Europe but thought it would be good to clarify this point since some refugees in the Far East are of European origin.

21. Mr. Knight asked whether the present proposal to admit 300,000 immigrants might not drain too much manpower from NATO countries, but Mr. Tobin noted that its purpose is to relieve manpower surpluses and unemployment in certain NATO countries and he noted that this had been agreed upon at the Lisbon meeting.[5] He said that he would make available to the drafting committee the two NATO reports on this problem. He thought it would be desirable to see the language of the proposed legislation in order to make sure that this immigration will be carried out through cooperative arrangements with countries in order that useful manpower will not be drained from them.

22. Mr. Alexander suggested that there would be more chance of obtaining passage of this legislation if we proposed that instead of admitting 300,000 immigrants in three years, unused quotas be granted to immigrants such as those outlined in this proposal. This would admit about 50,000 such persons per year (lengthening the admission period from three years to five years) and would not increase the overall total of immigrants admissable under present legislation. He pointed out that this suggestion differed from the old idea presently being brought up again on the Hill to permit oversubscribed countries to draw from unused portions of the quota—a proposal which the Department has not opposed but on which it would want some instruction as to how to divide the unused portion among the countries whose quotas are oversubscribed. There was general support for Mr. Alexander's proposal.

23. The Chairman raised the question of whether the assumption is made that other countries will take some immigrants and Mr. Tobin and Mr. Warren mentioned undertakings by Canada and Australia and certain other countries to accept immigrants from

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[4] For documentation on what became known as the President's Escapee Program, see volume VIII.

[5] Reference is to the Ninth Session of the North Atlantic Council, Feb. 20-25, 1952; for documentation, see vol. V, Part 1, pp. 107 ff.

Germany, Austria, Italy, The Netherlands, and Greece. Mr. Tobin added that one weakness of the message under consideration is that no exposition is made of the number of immigrants expected to go to other countries.

24. Mr. Kerry noted that the reference made to Trieste as a country of Western Europe (page 4) should be corrected.

Second Recommendation

25. Concerning the recommendation for the admission of 7,500 persons qualified and being processed under Section 2(c) of the Displaced Persons Act at the time of its expiration, Mr. Alexander thought that this should be spelled out more clearly. The consensus of the meeting was that State could comment favorably on this recommendation.

Third Recommendation

26. The Chairman asked whether our comments should mention the escapee defector program and Mr. Dawson thought that no substantive comment should be made, but he noted that the Department will probably request that this recommendation be separated from the others. He had no objection to making this suggestion in the recommendation drafted by PIN. Mrs. Manderson commented that if this separation were made certain other paragraphs in the paper would have to be deleted. Mr. Dawson said that recommendations on this aspect of the proposal will be coordinated with other offices in State.

27. At the conclusion of the meeting, the Chairman said that the drafting group should frame comments on those topics which had been mentioned at the meeting and redraft appropriate parts of the message. Mr. Warren thought that since there was general agreement on Mr. Alexander's suggestion it would not be necessary to include other aspects. The Chairman thought, however, that the EUR view on Italian reaction and the effect in the Far East should be mentioned in our comments. He pointed out that the chance of adverse Congressional reaction would be reduced by Mr. Alexander's suggestion. He thought the grounds for separating the third recommendation from the first two would be that it has no logical connection with them and also that it is a very desirable program and should not be hazarded by being tied to the other two proposals.

Truman Library, Truman papers, PSF-General file

Memorandum by the Secretary of State to the President

CONFIDENTIAL WASHINGTON, April 14, 1952.

Subject: Walter Omnibus Immigration Bill (H.R. 5678)

I wish to bring to your attention the desirability of obtaining early enaction of the Walter Bill, the consideration of which has been postponed at the request of Majority Leader John W. McCormack.[1] It is understood that members of the White House staff and of the Bureau of the Budget requested postponement until amendments could be prepared to the bill which could be offered during the debate on the floor of the House.

It is of the utmost urgency and importance that the bill, which removes racial bars to the immigration and naturalization of Asian peoples, be enacted as soon as possible in view of the ratification of the Treaty of Peace with Japan. If after concluding such a Treaty the United States fails to enact the proposed legislation, which has been widely hailed in Japan as a gesture of good will between the two countries, a serious irritant of long standing in United States-Japanese relations will not only remain but will be accentuated, to the detriment of United States prestige in Japan and the high objectives of the Treaty. Our failure to remove racial barriers provides the Kremlin with unlimited political and propaganda capital for use against us in Japan and the entire Far East. Furthermore, existing procedures required by the Internal Security Act are damaging our relations with Italy, Austria, Germany and Spain. This latter situation may be alleviated by the bill's new definition of totalitarian parties as those advocating the establishment of totalitarian dictatorship in the United States.

You may wish to request Majority Leaders McFarland[2] and McCormack to attempt to obtain early favorable action on the Walter Bill, which is the middle of the road bill so far as either the McCarran or Lehman[3] bills are concerned.

DEAN ACHESON

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[1] (D.-Mass.).

[2] Representative Ernest W. McFarland (D.-Ariz.).

[3] Senator Herbert H. Lehman (D-N.Y.). On Mar. 12, 1952, a group of 13 Senators led by Lehman and Hubert Humphrey (D.-Minn.) introduced S. 2842, which was similar to earlier immigration and nationality bills but included many more liberal provisions, such as modification of the national origins system. This modification established a pool of unused quotas and permitted their redistribution in the following year to immigrants selected on the basis of criteria apart from their national origin.

Consular Affairs files, lot 53 D 223, "VD Legislation, 1952"

Memorandum by the Deputy Under Secretary of State for Administration (Humelsine) to the Secretary of State [1]

[WASHINGTON,] May 8, 1952.

Problem

To determine the position which the Department should take with respect to immigration and naturalization legislation being considered in the Congress.

Background

On April 25 the House passed the Walter Omnibus Immigration and Naturalization Bill (H.R 5678) by a vote of 206–68. Except for minor technicalities the Walter Bill is substantially parallel to the McCarren Bill (S. 2550) which is scheduled for early debate. They both are comprehensive codifications of all existing legislation in the field. They both also contain the following significant changes from existing laws:

1. Remove all racial barriers to naturalization and all discrimination between sexes.
2. Establish quotas based on ⅙ of 1% of the people of the United States who had a foreign national origin according to the census of *1920*.
3. Limit dependent colonies to 100 quota immigrants annually, under the mother country's quota.
4. Introduce a system of selective immigration by making the first 50% of every country quota available for technically skilled immigrants needed in the United States.
5. Provide procedures comparable to those of the Administrative Procedures Act [2] in most cases involving exclusion or deportation of aliens.
6. Provide specific procedures designed to weed out subversive elements.

Two other bills must be considered in determining the Department's stand on this legislation. One of these, supported by Senators Lehman, Humphrey, Kefauver,[3] and others, is likewise an omnibus bill (S. 2842). It contains many of the same technical provisions as the McCarran and Walter proposals, as well as a number of differences. The most significant differences include the following:

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[1] Drafted by Donovan Q. Zook, Special Assistant, Office of the Deputy Under Secretary of State for Administration.

[2] Reference is to the Administrative Procedure Act of 1946 (Public Law 79–404), enacted June 11, 1946; for text, see 60 Stat. 237. The Act was designed to formalize the administrative procedures of government agencies and set up uniform standards for agency adjudications and for judicial review.

[3] Estes Kefauver (D.–Tenn.).

1. Removes all racial discrimination in *immigration* cases, whereas the McCarran–Walter Bills provide in general that persons of Asiatic races born in other countries will be charged back to the quota of the mother Asiatic country.
2. Changes the basis of quotas from the census of 1920 to the census of 1950, which would increase the world quota from approximately 150,000 annually to approximately 238,000 annually.
3. Provides for pooling unused quota numbers for use by immigrants from countries whose quotas are over-subscribed.
4. Continues the present unlimited use of the quotas of mother countries by dependent colonies. (The McCarran–Walter Bills limit such use to 100 annually.)
5. Cancels the mortgage on all future quotas as required by the Displaced Persons Act.
6. Limits the President's authority to curtail immigration to times of war or national emergency.
7. Eliminates the loss of United States citizenship by a naturalized person residing continuously for five years in a foreign country, as provided both in existing law and in the McCarran–Walter Bills.

It is unlikely that the Lehman Bill will get very far in the Senate. A number of similar amendments were defeated in the House during debate on the Walter Bill.

The final bill in this series is the Celler Bill (H.R. 7376). This is not an omnibus codification. It authorizes the admission of 300,000 displaced persons and refugees, continuing the displaced persons program as suggested in the President's recent message. The Department previously advised the White House against bringing up the extension of the displaced persons program until adequate assurance of favorable consideration had been arranged. We wanted to avoid arousing unrealistic hopes on the part of foreign nationals, whose disappointment might adversely affect our foreign relations.

I understand that a number of the White House staff actively favor the Celler Bill. The President himself undoubtedly favors the principle of this proposal, as do a number of Congressmen from large metropolitan centers.

Conclusion

The immediate question is how far the Department should go in lending its support to either the Celler displaced persons measure or the Lehman Omnibus Immigration Bill in view of the concerted support of the two committees and of the House membership in favor of the McCarran and Walter Bills, which are generally acceptable to us.

Realistically it seems unlikely that the Lehman or Celler proposals stand much chance of being passed. The temper of Congress on these matters is basically conservative, as evidenced by the House vote on the Walter Bill and the rejection of a series of amendments aimed at liberalizing its provisions. Most members of Congress appear to hold strongly for preserving the same balance of national origin characteristics which prevailed in the American population in 1920. While the McCarran-Walter Bills are not perfect, they represent a big step forward in codifying the present labyrinth of laws in this field—and are probably the best version that can be passed at this time.

On balance, I believe we would be wasting our efforts if we tried to persuade Congress to support the Lehman or Celler Bills, and might risk alienating the sponsors of the McCarran and Walter Bills.

CARLISLE H. HUMELSINE

Truman Library, Truman papers, PSF-General File

Memorandum by the Director of the Bureau of the Budget (Lawton) to the President

WASHINGTON, May 9, 1952.

Subject: Comments on the Secretary of State's Memorandum of April 14[1]

Mr. Lloyd[2] has requested the Bureau to prepare for your consideration its comments on the memorandum of April 14, 1952, from Secretary Acheson urging the early enactment of the Walter omnibus immigration and naturalization bill. As the following comments indicate, we do not believe that the State Department fully understands the details of that bill:

(1) Insofar as the Walter bill involves the question of the relations of the United States with the peoples of Asia in general and the people of Japan in particular, which is the principal question discussed in Secretary Acheson's memorandum, the bill would take away at least as much as it appears to give.

It is true that the bill would remove existing racial bars to the naturalization of the Japanese and of certain other Asians and that it would for the first time extend quotas to several Asian countries, including Japan. We agree with Secretary Acheson that these steps are long overdue, but we would point out that an annual quota of 185 for Japan is hardly more than a token quota. Moreover, the bill would actually place new racially discriminatory restrictions on immigration from Asia by requiring that persons of Asian ancestry be charged to the quota of the country of their ancestry and by attempting to place a permanent limit on annual immigration from most of Asia. These restrictions, which would apply only in Asia and nowhere else in the world, would call into question the meaning and sincerity of the gestures made by the bill with respect to naturalization and the assignment of new quotas.

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[1] *Ante*, p. 1587.

[2] David D. Lloyd, Administrative Assistant to the President.

The net effect of the bill might be to improve the position of Japan, but the position of certain other Asian countries, such as India and the Philippines, would be worsened. If, as Secretary Acheson advises, "our failure to remove racial barriers provides the Kremlin with unlimited political and propaganda capital for use against us in Japan and the entire Far East," then it would certainly appear desirable to avoid enacting new discriminatory restrictions. The Kremlin is always quick to seize upon any half measure as proof of democratic duplicity.

(2) However significant the question of our relations with Japan and the rest of Asia may be, the Walter bill raises questions of public policy that go far beyond our relations with any one country or area.

The bill raises fundamental questions about the kind of treatment that should be accorded aliens who seek to enter this country and about the position that aliens should occupy in our society. In these matters, we believe that the Walter bill flagrantly violates the principle of fair treatment for all that is a basic principle of democracy. This principle cannot be violated without weakening the United States both at home and in the eyes of the peoples abroad whose friendship and support we are seeking. We cannot believe that the number and seriousness of these questions have been pointed out to Secretary Acheson.

Not the least important of other questions raised by the bill is the proper relationship of the Executive Branch and the Congress in the administration of the immigration and naturalization laws. The Walter bill would go far toward injecting the Congress directly into the administration of these laws. It would also freeze part of the State Department's organization in a way that we feel sure Secretary Acheson would not approve.

(3) After a most careful comparison of the provisions of the Walter bill with those of the McCarran and Humphrey-Lehman bills, we cannot agree with Secretary Acheson that the Walter bill is "middle of the road". The McCarran and Walter bills are companion bills. Although they are not identical, they are alike in most major respects; both are vicious. As for the differences between them, the Walter bill contains some objectionable provisions that are not in the McCarran bill.

There is attached for your consideration a detailed staff memorandum discussing certain of the most important provisions of the McCarran and Walter bills. We recommend that a copy of this analysis be sent to Secretary Acheson or that the points in it be discussed with him as a basis for his reconsideration of the position taken in the April 14 memorandum.

F. J. LAWTON

[Attachment]

MAJOR PROVISIONS OF THE MCCARRAN AND WALTER OMNIBUS IMMIGRATION AND NATURALIZATION BILLS

The McCarran and Walter omnibus immigration and naturalization bills would extensively revise, as well as codify, existing immigration and naturalization laws. They are big bills. Each of them contains over 400 sections. The interrelationships of these sections are highly complex. It is doubtful that anyone fully understands them.

These bills have been in preparation for some three years. Each of them has appeared in several versions. An earlier version of the McCarran bill would unquestionably have had the effect of halting almost all immigration to this country. Present versions of both bills are less drastic than earlier ones.

The two bills are not identical. However, they have many provisions in common, and both adopt an approach to immigration and naturalization problems that can fairly be described as restrictionist and isolationist. Similar claims have been made for each of these bills, and similar arguments have opposed both.

It is claimed that these bills would remove discrimination based on sex from our immigration and naturalization laws. This the bills would do.

It is claimed that they would remove racial discrimination from our immigration laws. This claim is simply not true.

It is claimed that they would bring about structural changes in the enforcement agencies for greater efficiency. Actually, organizational provisions of the bills violate sound principles of administration and, in the case of the Walter bill, would apparently attempt to inject the Congress directly into the administration of the immigration and naturalization laws.

It is claimed that the bills would provide more thorough "screening" of security risks and that they would "strengthen" exclusion and deportation and naturalization and denaturalization procedures. This "strengthening", if, indeed, that be the proper term for it, would be achieved only at the expense of democratic principles.

These bills raise fundamental questions with respect to the treatment that should be accorded aliens who seek to enter this country and with respect to the position aliens should occupy in our society. In this connection, much has been made by the proponents of these bills of the fact that as a sovereign nation, the United States can admit as many or as few aliens as it chooses on whatever terms and conditions it deems desirable. The conclusion drawn from this is apparently that aliens have no rights. We do not believe that that conclusion is sound or that it provides an adequate basis upon which to construct immigration and naturalization policy.

We do not believe that "aliens" differ in any fundamental respect from other human beings. We believe that the worth and dignity of all individuals, citizens or not, demand respect. And we believe that it is particularly incumbent upon the United States, as a democracy, to guarantee that that respect shall be paid. Our willingness to offer such a guarantee is the measure of the strength of our professed beliefs.

This does not mean that the United States need admit all aliens who seek to enter. There are those who seek to enter for evil purposes. There are others whose past conduct makes them clearly undesirable. Certain precautions are necessary in all cases. But the historic contribution of the immigrant to the development of this country should be reassuring as to the general results of future immigration, and there is strong reason to give the alien the benefit of the doubt in many cases where the security of the country is not at stake.

During the course of House debate on the bill that bears his name, Mr. Walter assured his colleagues that "no injustice can possibly be worked under the provisions of this act." We must disagree with Mr. Walter. We know of few other proposals in recent years that have offered greater promise of injustice than do the McCarran and Walter bills.

There follows a discussion of certain major provisions of the McCarran and Walter bills.

The Quota System

The McCarran and Walter bills would retain the principles of the national origins quota system as the framework for immigration to this country. For the purpose of calculating quotas, a new and simplified formula would be applied to old data: the annual quota of any quota area would be one-sixth of one percent of the number of inhabitants in the United States in 1920 attributable by national origin to that area. For the most part, quota areas are independent states, which are assigned their own quotas. Trust territories would also be assigned separate quotas as quota areas, but colonies would share, to a limited extent, the quota of the mother country. Immigrants from countries in the Western Hemisphere would, as at present, be granted nonquota immigrant status.

The total of all quotas would be 154,657, which is approximately the same as at present. Quotas of particular areas would be roughly the same as present quotas. Minimum quotas of 100 would be assured to all quota areas except those in Asia (see following section). In the case of China, the bills would retain present special arrangements which provide two quotas, a minimum quota of 100 to which non-Chinese persons born in China are charged and a quota of 105 to which Chinese persons are charged. It should be noted that no similar arrangement now exists or would be provided for India, nor would the bills in any other way improve the situation wherein British persons born in India of British parents must be charged to the Indian quota despite the fact that they are citizens of Great Britain and may have lived most of their lives in England.

The principal effect of retaining the national origins quota system would be to continue to make most immigration visas available to immigrants from northwestern Europe. Great Britain with a quota of over 65,000, Ireland (17,756), and Germany (25,814), would account for two-thirds of the total of all quotas. Quotas of these countries should be compared to those of such countries as Italy (5,645), Greece (308), and Turkey (225). The system has the ridiculous result of equating India with such countries as Nepal, Yeman, Monaco, Andorra, and Luxemburg. In fact, under the special restrictions that would be imposed on Asian countries, which are discussed in the following section, India's quota might in time be smaller than those of Yeman, Monaco, Andorra, and Luxemburg. Since the same restrictions would apply to Nepal, India would always be able to keep pace with that country.

It is important to note not only the disparity among quotas but also the fact that in practice some of the countries which have had the largest quotas have habitually failed to make full use of them. Under existing laws, unused portions of quotas are completely lost. There is no way to make them available for use by those countries whose quotas are oversubscribed for years to come.

What is probably needed is an entirely new immigration system. The McCarran and Walter bills would not, of course, provide such a system, nor would they do anything to ameliorate the inequities arising from the present system. As has been indicated, they would not even bring the system up to date.

Several disadvantages arise from the facts that the bills would make use of 1920 census data and that they would retain the determinations made under the Immigration Act of 1924[3] as to the national origins of this country's inhabitants. As a result, the bills fail to take advantage of more accurate statistical methods now employed, and they fail to take into account changes in the composition of the population since 1920. They are apparently not disturbed by the fact that the 1924 Act excluded "the descendants of slave immigrants" from the definition of the inhabitants of this country whose national origin was to be determined in order to establish quotas.

The House Judiciary Committee report[4] maintains that analyses of both the 1940 and 1950 censuses have not progressed far enough to make possible the recomputation of the national origins of persons in this country. Neither of the bills makes provision for the use of 1940 or 1950 census data even when the necessary analyses have been completed.

Restrictions on Asian Immigration

Perhaps the chief claim made in support of the McCarran and Walter bills is that they would remove racial barriers to the immigration and naturalization of the peoples of Asia and that they would for the first time extend quotas to certain Asian countries such as Japan. This claim is accurate only in part.

The bills would accomplish the limited objectives of removing the present bar to the naturalization of certain Asians and of extending quotas to several Asian countries that have not previously had quotas. In doing these things, the bills would expunge an injustice of long standing and an historic source of antagonism between our country and the peoples of Asia, particularly the Japanese.

However, instead of removing racial bars to immigration, the bills would actually impose new racially discriminatory restrictions on the immigration of Asians. These restrictions would call into question the meaning and sincerity of the gestures made with respect to naturalization and the assignment of new quotas. These restrictions would announce to the peoples of Asia: "The United States still considers you undesirable. We're going to have one set of rules for everyone else in the world and a special set of rules for you. We want to make sure that too many of you won't come over here".

Specifically, section 202 of both bills would carve out an area called the "Asia-Pacific Triangle" which would extend from Afghanistan across continental Asia to the island countries off Asia's coast, such as Japan, the Philippines, and Indonesia. Special restrictions would apply with respect to this area which would not apply in the case of any other area in the world.

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[3] Public Law 68–139, enacted May 26, 1924; for text, see 43 Stat. 153.

[4] "Revising the Laws Relating to Immigration, Naturalization and Nationality," House Report 1365, 82d Cong., 2d sess. (Washington, 1952).

In the first place, the general rule that an alien is chargeable to the quota of the country of his birth would not apply to persons attributable by as much as one-half of their ancestry to a people or peoples indigenous to the Asia-Pacific Triangle. Instead, the bills would require that such persons, regardless of place of birth, be charged to the quota of the country of their ancestry. Under this restriction, a boy born in England of an English father and an Indian mother would have to be charged to the minimum quota of India rather than to the quota for Great Britain, which is never filled. A girl born in South America of a South American father and a Chinese mother would not, except under special circumstances, be entitled to the nonquota immigrant status which is enjoyed by persons born in South America; she would have to be charged to the oversubscribed Chinese quota.

In the second place, the general rule that each quota area is entitled at least to a minimum quota of 100 would not apply to quota areas in the Asia-Pacific Triangle. If the McCarran or Walter bill were enacted at the present time, there would be nineteen countries in the Asia-Pacific Triangle entitled only to minimum quotas. The bills provide that if the number of such countries exceeds twenty in the future, the quotas of all such countries would have to be reduced below the usual minimum of 100 in order to maintain a maximum annual limit of 2,000. The provision is clearly designed to establish a permanent limit on immigration from most of Asia. In operation, as has been pointed out, it would result in such situations as reducing the quota of all of India below that of Luxemburg. Regardless of whether this provision ever goes into effect, it should certainly be objectionable from the diplomatic point of view.

Among the countries affected by both of these special restrictions are India, Korea, Burma, Pakistan, the Philippines, Thailand, Vietnam, and Indonesia. Japan would be affected by the provision requiring the assignment of Asians to quotas on the basis of their ancestry. The quota for Chinese persons would also be affected by that restriction while the minimum quota for non-Chinese persons born in China would become subject to future reduction.

In view of these provisions, which constitute gratuitous insults to the peoples involved, it is not possible to understand the claim that these bills would remove discrimination against Asians.

Colonial Immigrants

The McCarran and Walter bills are racially discriminatory in another respect. Under existing laws, immigrants from colonies, which are not assigned their own quotas, are charged to the quota of the mother country. The McCarran and Walter bills would place a limit of 100 on the number of immigrants from any colonial possession that could be charged to the quota of the mother country in any one year. It has been argued that this provision is not discriminatory because it applies to all colonial peoples regardless of race. However, the provision is directed against and in practice would hit hardest the immigration of Negroes from the West Indies. In that sense, it may fairly be said to be racially discriminatory.

Selective Immigration

The McCarran and Walter bills would establish a "system of selective immigration" which is said to be "geared to the needs of the United States". Under this system, the following preferences would be established:

(1) Fifty percent of each quota would be reserved for immigrants whose services are determined by the Attorney General to be needed urgently in the United States because of the high education, technical training, specialized experience, or exceptional ability of the immigrants and to be substantially beneficial prospectively to the national economy, cultural interests, or welfare of the United States;

(2) Thirty percent would be reserved for the parents of United States citizens; and

(3) Twenty percent would be reserved for the spouses and children of aliens who have been admitted to this country for permanent residence.

It is important to note that preferences would be granted only on the petition of persons already in the United States and that portions of each quota not used by preferred classes would be available for use by persons not eligible for preferences.

Existing laws already grant preferences to certain relatives of citizens and alien residents. Whatever the advantages, commercial or other, of adding a new preference category for persons whose services are said to be needed by this country, it would appear desirable to reserve some portion of each quota specifically for self-initiated immigration rather than to relegate such immigration entirely to a residual position.

One perplexing aspect of the selective immigration policy established by the bills is that they would actually make the immigration of professors more difficult than it now is. Under existing laws, both ministers and professors are admitted as nonquota immigrants. The McCarran and Walter bills would revoke this privilege insofar as it is enjoyed by professors and would require them to enter under quota limitations. Whether or not professors would be accorded a quota preference under the first of the categories listed above would, of course, depend on interpretation of the standards in particular cases. In view of the fact that only the status of professors, and not that of ministers, would be changed by the bills, it appears that the purpose of the change is to make the immigration of professors more difficult.

Grounds for Exclusion

The House Committee report on the Walter bill states that the bill "broadens the grounds for exclusion and deportation of criminal aliens mostly in accordance with recommendations made by the Senate Special Committee to Investigate Organized Crime." This statement is misleading since the Senate Crime Committee made no recommendations with respect to the exclusion of aliens. However, the McCarran and Walter bills do propose changes in present provisions of law excluding criminals.

Existing laws already exclude aliens who have been convicted of crimes involving moral turpitude or who admit having committed such crimes. Section 212(a)(9) of both bills would also exclude aliens who admit having committed the "essential elements" of such crimes—whatever that may mean. The Department of Justice has stated that "the present provisions of law are adequate to protect the interest of the United States as well as being fair to the alien."

An entirely new ground for exclusion would be added by the Walter bill to bar the entry of aliens who have been convicted of two or more offenses (other than purely political offenses), regardless of whether the offenses involved moral turpitude, for which the sentence actually imposed under law was five years or more. The McCarran bill contains a similar but not identical provision. The effects of this unnecessary provision could, of course, be mitigated by liberal interpretation of the phrase "purely political offenses". However, there is no guarantee of liberal interpretation, and there are limits beyond which the interpretation could not be stretched however meritorious the particular case. For example, it does not seem reasonable to exclude persons who have violated some of the oppressive but not purely political laws of totalitarian countries and who have received disproportionately harsh sentences as a result.

Section 212(a)(18) of both bills would revoke the Attorney General's present discretionary authority to admit stowaways.

Existing laws grant exemption from literacy requirements to religious persecutees and to certain relatives of persons residing in the United States. These exceptions would be dropped by section 212(a)(25) of both bills.

Section 212(a)(19) of both bills would exclude any alien who seeks to enter this country by fraud or by willfully misrepresenting a material fact. The Walter bill would—the McCarran bill would not—make an exception in the case of aliens whose misrepresentation "had its origin in an action where he had reasonable ground to fear persecution because of race, religion or political opinions and when such misrepresentation is found by the Attorney General not to have been material." An exception along these lines appears highly desirable; however, as the Department of Justice pointed out to the House Committee, the exception "loses its entire meaning by its own language . . .[5] Obviously, if the fact misrepresented was not material, then there will be no ground for exclusion" in the first place.

Provisions of section 212 of both bills relating to exclusion on medical grounds raise special problems. The Federal Security Agency has pointed out that in several important cases, the bills use terms which have no exact medical significance. For example, the exclusion of all persons who have a "mental defect" would, if literally interpreted, result in the exclusion of most aliens since relatively few persons are wholly free of any mental defect. In cases where such language is used, FSA sought unsuccessfully to secure language which would be satisfactory both from the standpoint of public understanding and medical exactness.

In general, FSA has described the medical provisions of the bills as being in some respects "less humane" than those of existing law and "from a medical point of view, unnecessarily restrictive."

Section 212(e) of both bills would give the President authority to exclude any and all aliens whose entry he considered "detrimental to the interests of the United States."

Exclusion of "Subversives"

Section 212(a)(28) of the McCarran and Walter bills includes provisions similar to those of the Internal Security Act of 1950[6] with respect to the exclusion of persons who are or have been members of or affiliated with Communist and other totalitarian organizations and activities. It is important to note, however, that the bills define "totalitarian" to apply only to advocacy of the establishment in the United States of a totalitarian dictatorship or totalitarianism. It appears that this provision is intended to remove political barriers to the entry of Nazis and Fascists.

Section 212(a)(28)(I) of the bills would permit the entry of involuntary totalitarians and of reformed totalitarians who have subsequent records of active opposition to totalitarianism and whose entry into this country is found to be in the public interest. It would appear sufficient to have required a finding that the entry of such a person would not be detrimental to the public interest.

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[5] Ellipses throughout in the source text.

[6] Public Law 81-831, enacted Mar. 18, 1974; for text, see 64 Stat. 987.

As does the Internal Security Act, these bills exclude persons seeking to enter the United States solely, principally, or incidentally to engage in activities which would be prejudicial to the public interest, or endanger the welfare, safety, or security of the United States.

The bills would also exclude persons who probably would engage in activities which would be prohibited by the laws of the United States relating to espionage, sabotage, public disorder, or in any other activity subversive to the national security; or in any activity a purpose of which is opposition to or the control or overthrow of the Government by force, violence, or other unconstitutional means; or who would probably join or affiliate with any Communist-front or Communist-action organization. Addition of the word "probably" represents a further loosening of a standard that was already vague in some respects.

Grounds for Deportation

Before discussing particular grounds for deportation under the McCarran and Walter bills, it should be emphasized that many of them would apply retroactively. Aliens could be deported for past actions which did not constitute grounds for deportation when committed. This is provided in section 241(d) of both bills. Provisions noted below include only some of the changes in and additions to existing laws.

Existing statutes of limitation with respect to deportation on certain technical grounds would be repealed.

Section 241(a)(3) of the McCarran bill would require the deportation of any alien who in the future within five years after entry becomes institutionalized because of mental disease, defect, or deficiency. The Walter bill would deport such aliens if institutionalization is at public expense and if the alien cannot show that the disease, defect, or deficiency did not exist prior to his entry into the United States.

Section 241(a)(4) of the McCarran bill would require the deportation of an alien who at any time after entry is convicted in the United States of any criminal offense if the Attorney General concludes that the alien is undesirable. The Walter bill does not include this provision.

Deportation of "Subversives"

The McCarran and Walter bills present a peculiarly inconsistent approach in dealing with former members of Communist and other totalitarian organizations. An alien who joined such an organization abroad and terminated his membership before entering this country would not be deported because of his past membership. But an alien who joined such an organization after entering this country would be deported even though he had subsequently sincerely repudiated his membership. This matter is dealt with by section 241(a)(6) of the bills.

The drafting of this particular section has been greatly criticized by the Department of Justice, which points out that the language is so confusing that an alien could gain admission one day by showing that his presently continued membership in a subversive organization was involuntary and become deportable the next day because he is still a member of the organization, involuntary or not.

Section 241(a)(7) of both bills provides for the deportation of aliens who at any time after entry have engaged or have had a purpose to engage in such activities as the following: activities "prejudicial to the public interest"; activities that "endanger the welfare, safety, or security of the United States"; any activity "subversive to the national security"; any Communist-front activity if the person knew the organization involved was Communist. The possibility of abuse of these provisions, particularly when applied to actions which may have taken place years ago and particularly when the alien simply had to "have a purpose" to engage in them, is clear.

Diplomatic sanctuary would be severely limited by section 241(e) of the bills. It appears that no sanctuary at all would be allowed Communist diplomats who might repudiate the regimes in their home countries. Such diplomats would be deported even if the Secretary of State believed that it would be desirable to give them sanctuary.

Exclusion and Deportation Procedures

The vague and abusive character of certain of the grounds for excluding and deporting aliens would be somewhat less frightening were adequate procedures for implementing them prescribed by the bills. However, this is not the case. In this connection it may be pointed out that there has long been opposition to applying the provisions of the Administrative Procedure Act to exclusion and deportation proceedings. It is argued that proceedings under that Act are too costly, too time-consuming, and too strict to make it worthwhile to apply them in the case of aliens. The Supreme Court decided several years ago that the provisions of the Administrative Procedure Act were applicable to exclusion and deportation proceedings. A rider to a subsequent appropriation bill provided the exemption denied by the Court.

The McCarran and Walter bills would provide "special" procedures for exclusion and deportation that are apparently specifically designed to maintain the exemption from the Administrative Procedure Act. There would, of course, be no objection to this if the procedures provided offered sufficient safeguards for the aliens as well as for the United States, but they do not. Proceedings would be conducted by "special inquiry officers", regular employees of the Immigration and Naturalization Service, rather than by independent hearings officers. Special inquiry officers could act both as prosecutor and judge. Less assurance would be given of the alien's right to submit evidence in his own behalf, cross-examine witnesses appearing against him, and in other ways to defend himself.

Section 242(b) requires only that an alien be given a "reasonable opportunity" to be present at a hearing to determine his deportability. If his failure to appear were decided for some reason to be unreasonable, the "hearing" could be held without him, and he could be found to be deportable without even being present. The Government may need additional power to compel such persons to appear, but to hold a "hearing" and find an alien deportable without his being present is clearly unreasonable regardless of the reason for the alien's absence. Three provisions of the bills would authorize deportation without any hearing whatsoever: section 242(f), in the case of previously deported aliens who have reentered the country unlawfully; section 252(b), in the case of alien crewmen if immigration officers find that they are not bona fide crewmen or that they do not intend to depart on the vessel or aircraft that brought them; and section 273(d), in the case of stowaways. It is not apparent why hearings are any less necessary to determine the facts in these cases than in any other cases.

It appears that both bills would attempt to limit judicial review to a very narrow basis. The McCarran bill is more restrictive in this respect than the Walter bill.

In the case of the Walter bill, procedures proposed in connection with exclusion are made more acceptable by the fact that section 236 was amended during the House debate on the bill to guarantee the right of aliens to appeal to the Board of Immigration Appeals for review of adverse administrative decisions with respect to their admissibility. The McCarran bill provides only for appeal to the Attorney General. Deportation procedures of both bills are cause for grave concern.

It is particularly important to note that discretionary suspension of deportation by the Attorney General would be restricted to an extreme degree by both bills and would be made much more difficult than under existing laws.

In connection with the discussion of deportation, it should be pointed out that section 243(g) of both bills provides that upon notification by the Attorney General that any country has unduly delayed the acceptance of or has refused to accept a deportee from the United States who is a national, citizen, subject, or resident of that country, the Secretary of State would have to discontinue the issuance of immigration visas to immigrants from that country until the country accepts the deportee in question. The penalty provided in this provision is obviously disproportionate to the offense. Furthermore, the Secretary of State would have no discretion in applying it regardless of the effects of the move on our international relations. Finally, the provision would give other countries considerable control over the issuance of immigration visas by the United States.

Detention and Deportation Expenses

The generous treatment the McCarran and Walter bills would accord the carriers that bring aliens to this country stands in marked contrast to the treatment accorded the aliens themselves. Under existing laws, carriers are generally required to pay the detention expenses of aliens whom they have brought to this country and who must be detained for examination. If an alien is found to be inadmissible or if within five years after his entry he is found to be deportable for reasons existing prior to his entry, the carrier must pay the cost of deporting him. In other words, the carriers have, in effect, assumed as a risk of business that the aliens they bring to this country will be eligible for admission. It appears that one effect of this has been to discourage carriers from encouraging inadmissible aliens to book passage to this country thereby exploiting the aliens and causing increased difficulties for United States authorities.

A series of provisions in the McCarran and Walter bills provides for the relief of carriers from these expenses under certain broad and vaguely defined circumstances. The Department of Justice has described the language of certain of these provisions as "obscure" and has said that they will "undoubtedly lead to litigation and controversy". The Department apparently feels that the result of these provisions would be to shift the major burden of these expenses to the taxpayers of this country. This, the Department says, would constitute "a subsidy not only for American carriers but also for the many foreign carriers engaged in bringing passengers to the United States."

It is, of course, somewhat difficult to assess the degree of responsibility that carriers should be required to bear in these cases. It may be that existing laws are too stringent and that some additional relief should be granted carriers. However, it appears that the McCarran and Walter bills fail to give adequate protection to the interests of the United States in this matter.

Alien Registration Cards

The bills would require every alien, eighteen years of age or over, to carry with him at all times a certificate of registration or alien registration receipt card. Failure to do so, regardless of the reason, would be punished by a fine of $100 and/or thirty days' imprisonment. Such a requirement is unnecessary in the first place, and the penalty provided is extremely harsh for the nature of the offense.

Social Security Files

Section 290 of each of the bills provides that the Federal Security Administrator shall notify the Attorney General upon request whenever any alien is issued a social security account number and card and that the Federal Security Administrator shall furnish "such available information as may be requested by the Attorney General regarding the identity and locations of aliens in the United States."

Even though this provision would require the opening of the social security files only for limited purposes, questions arise as to both the necessity and desirability of such a proposal. It should be pointed out that administrative arrangements already make necessary information available in cases involving the national security. A general opening of the files beyond the needs of national security, even for limited purposes, would violate the principle of the confidential nature of the files and would open the way for more extensive violations in the future.

Naturalization

Several of the bills' naturalization provisions call for special comment.

Section 313(a)(2)(f) of both bills would bar the naturalization of any alien who had been a member of or affiliated with the direct predecessor or successor of any Communist or other totalitarian organization. This provision is unnecessarily harsh in that it would bar the naturalization of an alien who was a member of an organization taken over by the Communists even though he may have left it before Communist domination became effective.

Ability to read, write, and speak English would be required in all cases except those involving the physically handicapped and in the case of persons who, *on the effective date of the enactment of the legislation*, are over fifty years of age and have been living in the United States for twenty years.

Past involuntary membership in Communist and other totalitarian organizations would not prevent naturalization nor would voluntary membership which terminated ten years prior to the filing of the alien's petition for naturalization.

Both bills would make restrictive changes in the requirements for the automatic acquisition of citizenship by children born outside of the United States of alien parents who are later naturalized or of one citizen and one alien parent who is later naturalized. Several other restrictive changes would be made with respect to the citizenship of certain children.

Oath of Naturalization

Under existing law, if an alien seeking to be naturalized can show to the satisfaction of the naturalization court that he is opposed because of religious training and belief to the bearing of arms, he is not required to accept an obligation to bear arms in taking the oath of naturalization. Section 337 of the McCarran and Walter bills would require all persons seeking to become naturalized citizens to take an oath accepting the obligation to bear arms on behalf of the United States when required to do so by law.

During debate on the bill that bears his name, Mr. Walter stated that he discussed this provision with the Quakers and that "I am certain that they are satisfied with the language in the House bill." On the contrary, since the House passed the Walter bill, official representatives of the Quakers have stated that they are "uneasy" about the language of the Walter bill and that they would "much prefer" the provisions of existing law.

The matter involved is a matter of individual conscience. It is doubtful that any sound purpose would be served by refusing citizenship to the relatively small number of persons who cannot accept an obligation to bear arms.

Denaturalization

Loss of citizenship is one of the gravest penalties that can be imposed on a naturalized citizen. Under existing laws, it must be proved that citizenship was procured through fraud or illegality before naturalization can be revoked (except when the citizen performs some act of renunciation). Section 340 of the McCarran and Walter bills makes it sufficient to prove concealment of a material fact or willful misrepresentation. It should be remembered that both bills involve a great increase in the number of "material" facts and that many of these "facts" partake of the nature of political beliefs and opinions.

Both bills specifically provide that if a naturalized citizen within five years following his naturalization becomes a member of or affiliated with any organization, membership in which at the time of naturalization would have precluded his becoming a citizen, his citizenship would be revoked on the grounds of concealment of a material fact or willful misrepresentation. Such a probationary period after naturalization amounts to second class citizenship.

Another second class citizenship provision is included in section 340(a) of the Walter bill but is not included in the McCarran bill. Under this provision, "refusal on the part of a naturalized citizen, within a period of ten years following his naturalization, to testify as a witness concerning his knowledge of subversive activities in any proceeding before a congressional committee, where such testimony would not be a self-incriminating ground for criminal action, shall be held to constitute a rebuttable presumption of fraud." The effects of this provision are not clear. However, the provision is included among provisions relating to revocation of naturalization. Therefore, it appears that the Walter bill would threaten naturalized citizens with loss of citizenship if they simply refused to testify before congressional committees on any ground other than self-incrimination.

Under section 340(b) of both bills, if the government seeks to revoke the citizenship of a naturalized citizen on grounds of concealment of a material fact or willful misrepresentation and if the citizen is at the time outside of the United States or outside of the judicial district in which he last had his residence, he could be given notice either by personal service or publication. Despite the importance of the matter, no showing would have to be made that personal service was impossible.

Under some circumstances, an alien who enters this country as a nonimmigrant may have his status changed to that of an alien admitted for permanent residence. Should an alien be naturalized on the basis of such an adjustment of status and should it later be discovered that he was not, for whatever reason, eligible for the adjustment of status, he would, under section 246(b) of both bills, be considered a person whose naturalization had been procured by concealment of a material fact or by willful misrepresentation.

The general question of the loss of citizenship by natural-born citizens has not been discussed, but it should be noted that the bills contain several questionable provisions relating to this subject.

Proof of Nationality

Under existing laws, if a person claims a right or a privilege as a national of the United States and is denied such a right or privilege by a Government official on the ground that he is not a national, he may institute court action seeking a judgment declaring him to be a national. If the person happens to be outside of the United States, he may be issued a certificate of identity and admitted for the purpose of prosecuting his action on the condition that he shall be subject to deportation if the court rules against him. Both the McCarran and Walter bills would weaken existing laws in this highly important matter.

In the first place, the McCarran bill would not allow such action to be instituted if the question of the person's status as a United States national arose in connection with or was an issue in any deportation or exclusion proceeding. In the second place, the bills would place time limits on the right of many persons to institute such action. The McCarran bill would impose such a limit only in the case of a person in the United States; the Walter bill, in the case of such a person and in the case of a person abroad. Under these provisions, a person could be permanently deprived of his nationality as a result of an administrative action.

Both bills provide for the issuance of certificates of identity to such persons abroad. The McCarran bill would then require such persons to be subject to the regular proceedings involving aliens seeking admission. An adverse decision of the Attorney General could be reviewed only on writ of habeas corpus. The Walter bill would facilitate the entry of such a person to prosecute his action to a greater extent than would the McCarran bill.

Organizational Provisions

The organizational provisions of both bills violate sound principles of administration. Section 104 of the bills would create a statutory "Bureau of Security and Consular Affairs" within the State Department. This provision, which would make it impossible for the Secretary of State to control the structure of that part of his Department, directly contravenes the Hoover Commission's[7] recommendation that "each department head should receive from the Congress administrative authority to organize his department . . ." The Hoover Commission's recommendation that "there must be a clear line of authority reaching down through every step of the organization and no subordinate should have authority independent from that of his superior" would be ignored by sections 104 and 105. The latter section would affect the Department of Justice as well as the Department of State.

In addition to raising these questions concerning the authority of department heads over the organization and administration of their departments, the Walter bill raises the question of the proper relationship of the Congress to the Executive Branch. The answer that the Walter bill gives to that question is apparently intended to inject the Congress directly into the administration of the immigration and naturalization laws. Section 401 of the Walter bill would create a "Joint Committee on Immigration and Naturalization Policy" and would require that the Attorney General and the Secretary of State "shall without delay submit to the Committee all regulations, instructions and all other information as requested by the Committee relative to the administration of this Act." This section clearly goes far beyond the scope of proper Congressional activity.

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[7] Reference is to the first Commission on Organization of the Executive Branch of the Government, established by Congress in 1947 to study and make recommendations by January 1949, concerning ways to improve the efficiency and promote economy in the operation of executive agencies. Former President Herbert Hoover served as Chairman of the Commission which submitted 273 recommendations to Congress early in 1949.

Of secondary importance are a number of other provisions of both bills that are objectionable from the point of view of good administration. Section 103 would, among other things, raise the salary of the Commissioner of Immigration and Naturalization to $17,500 a year. His present salary of $15,000 was set by legislation which took into consideration the pay of many Government executives. Changes should be made the same way in order to preserve proper relationships. Section 283 would exempt the Immigration and Naturalization Service from existing general legislation governing travel expenses. There is no reason why that Service should be singled out to receive such an exemption.

PIN files, lot 56 D 324, "Minutes, 1947–52"

Minutes of the 62d Meeting of the Policy Committee on Immigration and Naturalization, Held in the Department of State, 2 p.m., May 27, 1952

RESTRICTED

PIN M–62

Present:	George Gray, H, Acting Chairman
	Robert C. Alexander, VD
	Samuel Boggs, OIR/GE
	Richard Friedman, PA
	Arthur Z. Gardiner, NEA
	Daniel Goott, E/L
	John N. Hayes, IES
	Marshall Jones, A/MS
	H. H. Kelly, TRC
	Richard J. Kerry, UNI
	Kenneth P. Landon, PSA
	Virginia Massey, IES
	Peter Rutter, WE
	George H. Steuart Jr., CON
	Irwin Tobin, S/M
	William S. Lambert, S/S–S, Secretary

Review of the Department's Position on the McCarran and Walter Omnibus Immigration and Nationality Bills

1. *Action:* The Committee agreed that a memorandum should be prepared for the Secretary to send to the President along the lines indicated in paragraph 13 below. (The secretary of PIN prepared a draft of this memorandum for consideration at the meeting of June 3. See PIN M-63.[1])

2. The Committee agreed to meet on June 3, 1952 to review the draft comments prepared in the Visa Division on the Bureau of the Budget memorandum and staff paper.

3. *Discussion:* The Acting Chairman noted that the question before the Committee seemed to be divided into two parts: (a) the procedure to be followed in answering the President's memorandum of May 13 and the Bureau of the Budget's memorandum and staff paper attached thereto[2] and (b) the position the Department should take on the Walter and McCarran bills. He asked for expressions of opinion from the members on both questions.

4. Mr. Kerry did not think that the reasons given in the Secretary's memorandum to the President on April 14[3] were adequate to justify the Department's support of these bills. He said that mention should be made of the provisions relating to the exclusion of members of totalitarian parties, and he believed that our reasons should be expressed in more broad terms.

5. Mr. Gardiner said that NEA had taken no position on these bills since that bureau has no special immigration problems. Mr. Landon said that FE feels that the Walter-McCarran bills are the lowest common denominators which can be obtained. He noted that FE is willing to have the Philippine quota cut down, as the bill provides, because other provisions outweigh this disadvantage. FE considers the bill a great improvement over existing legislation and probably the best that can be obtained from the Congress at this time.[4]

6. Mr. Rutter said that basically the April 14 memorandum (PIN D-30) accurately reflects the position of WE on this matter. He noted that he had received no complaints from his area on the

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[1] Minutes of June 3 meeting, designated PIN M-63, printed *infra.*

[2] The reference memorandum of May 13 was not found in Department of State files; for the Bureau of the Budget's memorandum, with attached staff paper, see p. 1590.

[3] For text, see p. 1587.

[4] At the PIN meeting of June 4, 1952, the representative of the Bureau of Far Eastern Affairs, Hillis Lory, stated that should the immigration bill be vetoed, the situation in Japan would be very serious. He felt that the friendship of the 83 million people of Japan was at stake. (Minutes of June 4 meeting, designated PIN M-65, PIN files, lot 56 D 324, "PIN, Minutes, 1947-52")

question of treatment of territorial peoples by these bills. In this connection Mr. Kerry placed on record the following resolution on the McCarran Bill adopted on April 22, 1952, by the U.S. Commissioners on the Caribbean Commission:

> "The United States Commissioners on the Caribbean Commission desire to place on record with the Department of State their views that the McCarran and Walter Omnibus Immigration Bills are discriminatory against peoples of the Caribbean territories and that if enacted into law will have unfortunate repercussions in the form of ill-will toward the United States. The Commissioners question the wisdom of this action, but if this action should be taken, it strongly urges that it be internally determined by the Metropolitan Governments affected, as an internal problem."

Mr. Lambert noted that Mr. Spalding of ARA had informed him that these bills do not affect Latin America, except for the definition of totalitarian organizations which has in the past created no problems.

7. Mr. Alexander thought that on the whole the bill was an improvement over existing law and that the balance was in favor of it especially from the foreign relations point of view. He noted in this connection that it would eliminate racial barriers and replace them with quota limitations—under which we have been operating for many years.

8. Mr. Tobin noted that PIN evidently considers the bill the best we can get under the circumstances and worth our support for the improvements which it would make. He suggested that the Department adhere to its main position as previously taken and advise the President against a veto if he asks for the Department's advice. We could also suggest that, in any statement he makes when he signs the bill, he take cognizance of the defects which are in it. Mr. Tobin suggested that the Department furnish to the President the paper prepared in the Visa Division concerning particular items of the bill.[5]

9. Mr. Kerry suggested that PIN consider recommending to the President that he not veto the bill, because it is the best we can get at this time, but indicating that we oppose some of its provisions. He felt that we should agree with the Bureau of the Budget concerning some of the defects of the bill and point out some of the more important improvements which it would make but not engage in a debate on these questions. Mr. Kerry moved that it be recommended to the Secretary that in the event that the President asks his advice on the action which he should take with regard to the bill, the Secretary recommend that the bill not be vetoed,

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[5] Not printed, but see the memorandum by Humelsine, May 8, 1952, p. 1588.

pointing out that the major improvements which it would effect outweigh the considerable objections to it. Mr. Goott suggested that we should emphasize the fact that we are thinking of the foreign relations of the United States and that from this point of view the enactment of the bill would on the whole be beneficial.

10. Mr. Steuart raised the question of amendments now pending in the Conference Committee. Mr. Alexander noted that our previous comments had been made on the House bill before it was passed and that changes have since been made both in the House and Senate. He said that we do not know what the provisions of the bill will be when it emerges from the Conference Committee. He understood that it might take several days for the conferees to reach agreement.

11. The Acting Chairman asked whether the Budget Bureau paper had to be answered. Mr. Alexander thought it should be and he noted that the President may ask what we thought of it. Mr. Landon noted that the President, in his memorandum, did not specifically request the views of the Department on the paper. Mr. Gardiner suggested that we take no position on it until we are requested to do so. Mr. Tobin suggested sending an interim memorandum of acknowledgement from the Secretary to the President noting that in view of the differences between the two bills and the changes which may be made before the legislation is finally passed, the Department cannot yet comment on the bill for the purpose of recommending what action the President should take. He thought that the memorandum might also say that, if comments are nevertheless desired on the foreign relations questions which are raised by the Budget Bureau's memorandum, we would be glad to prepare them. Mr. Steuart noted that some points made in the Budget Bureau's memorandum are basic to the bill and he thought that if they were not reviewed at this time it might oblige the committee to undertake a detailed review on short notice. Mr. Goott thought that the Department should comment on the problems which the Bureau of the Budget had put before us.

12. Mr. Kerry called attention to the motion he had put before the Committee which implied that the Department make no comments now. He felt that the Secretary should give a recommendation only when one was requested and he did not consider it likely that the President would ask the Secretary for a recommendation until a bill is passed. He felt that the substance of the bill should not be discussed in any interim reply.

13. The Committee agreed that a memorandum of acknowledgement should be prepared for transmission by the Secretary to the President, and it was further agreed that the memorandum would note that the Department was reconsidering its position but, in

view of the complex changes which had been made and which were still under consideration, would not be able to make any recommendation concerning Presidential action until the final form the bill will take becomes known. The memorandum would, however, say that with regard to the provisions as they were reviewed by the Bureau of the Budget, the Department still believes that, on balance, their enactment would be more beneficial than harmful. It was generally agreed that no commitment would be made to transmit any further comments. Mr. Alexander cautioned that while it would probably be safe to say that from the foreign relations point of view we favor the bill as it passed both houses, we should be very careful in our judgement on what emerges from the Conference Committee.

14. Mr. Tobin thought that it would be best for PIN to be forehanded and to consolidate the Department's views for the Secretary's use and Mr. Alexander suggested that the draft comments which had been circulated be examined and revised if everyone was prepared to do so.

15. Mr. Kelly noted that TRC is particularly interested in the item concerning detention expenses and supported the comment made in paragraph 40 of PIN D-30/3.[6] He hoped this comment would be included in the final draft.

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[6] Not found in Department of State files.

PIN files, lot 56 D 324, "Minutes, 1947–52"

Minutes of the 63d Meeting of the Policy Committee on Immigration and Naturalization, Held in the Department of State, 10 a.m.–1 p.m., June 3, 1952

RESTRICTED

PIN M–63

Present:
- George Gray, H, Acting Chairman
- Robert C. Alexander, VD
- Samuel Boggs, OIR/GE
- John Devine, P
- Daniel Goott, E/L
- James Keegan, L/EUR
- Richard J. Kerry, UNI
- George Knight, L/EUR
- Virginia Massey, IEP [*IES*]
- Peter Rutter, WE
- George H. Steuart, Jr., CON
- Irwin Tobin, S/M
- George B. Toulmin, A/MS
- William S. Lambert, S/S–S, Secretary

Draft Memorandum From the Secretary to the President on the McCarran and Walter Bills

1. *Action:* The Committee approved, with the revisions indicated, the following draft memorandum prepared for transmission from the Secretary to the President (insertions underlined, deletions stricken):[1]

"Your memorandum to me of May 13 concerning the Walter and McCarran Omnibus Immigration and Nationality Bills (H.R. 5678 and S. 2550) has promoted a review of the Department's position on these Bills. In the course of that review the Department has given careful attention to the memorandum prepared by the Bureau of the Budget which you forwarded to me.

"The analysis made by the Bureau of the Budget was based on the Bills as they were reported from the respective committees of each House. With regard to the provisions as they existed at that time, the Department [stricken deletion illegible] *continues to believe* that despite their shortcomings, their enactment would, *on balance,* be more beneficial than harmful to our foreign relations. ~~On balance from the viewpoint of our foreign relations, they provide the greatest improvements in existing legislation which can be [illegible] at this time~~."

[Here follows a suggestion by Kerry that the Department take the approach that certain provisions of the bill were so important that they justified acceptance of the entire measure.]

Comments on Bureau of the Budget Staff Memorandum (PIN D-30/3)

4. *Action:* The Committee revised extensively pages 1 to 10 of PIN D-30/3. These changes were incorporated in the revisions of this document issued as PIN D-30/3a.[2] It was agreed that the Department would comment only on those aspects of the Bureau of the Budget staff memorandum which related to foreign relations. It was also agreed, as indicated in the discussion below and in the minutes of subsequent meetings, that certain subjects which were deleted from the detailed comments would be included in a general introductory statement.

5. *Discussion:* Mr. Alexander favored mentioning the necessity of length and bulk in a codification of all existing laws relating to immigration and nationality and it was agreed that this would be done in the introduction.

6. Mr. Tobin suggested that some justification be given for the principle for charging people of Asian origin to Asian quotas rather than to countries of birth. Mr. Alexander said that the imposition

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[1] Printed here as italics.

[2] Not found in Department of State files.

of quotas on Western Hemisphere countries would eliminate racial discrimination from our immigration laws but that the State Department is opposed to the establishment of such quotas.

7. With regard to point 5, Mr. Alexander commented that the Senate Committee Report[3] indicates that the reorganization of the Department provided for in the bills is not intended to diminish the authority of the Secretary of State to control the administration of the affected area. He thought that the provisions were preferable to either alternative which had been proposed during the hearings.

8. With regard to the injection of Congress into the administrative field by the creation in the Walter bill of a "Watch Dog" Congressional Committee, Mr. Steuart pointed out that this issue is a very controversial one and he suggested that it be avoided especially since it had no particular effect from the foreign relations point of view.

9. With regard to point 6, it was not clear what provisions of the bill were referred to and it was generally agreed that the Department would not comment on provisions that were not clearly identified.

10. With regard to point 7, Mr. Tobin pointed out that the Bureau of the Budget seem to imply that what is needed is an entirely new immigration system, and he thought that many of their comments had been addressed to that point. He suggested making it clear in the introduction that we are concerned with the bill itself and realistic possibilities.

11. During the discussion of item 11, Mr. Tobin suggested that a sentence be added to the first paragraph of the comment pointing out that divergencies such as these mentioned are inevitable in any national origins quota system. Mr. Rutter proposed that this idea be placed in the introduction together with a statement that no consideration is being given in these comments to changing the national origins quota system.

12. With regard to item 12, Dr. Boggs thought that use of the 1950 census would be fairer and he also thought that the negro population of the United States should be included in the calculations. Mr. Kerry pointed out that the principal changes in the composition of the population of this country by national origin have not resulted from a shift in sources of immigration alone but have also been related to the differences in birth and death rates between persons of Northern European as contrasted with Mediterranean origin. Mr. Alexander pointed out that Congress is not going

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[3] "Revision of Immigration and Nationality Laws," Senate Report 1137, 82d Cong., 2d sess. (Washington, 1952).

to permit large increases in the immigration into this country. This bill at least eliminates the overall total of 150,000, and Mr. Alexander feared that if another basis is used, this numerical limit would be reimposed. Mr. Tobin suggested that while we see certain advantages to shifting the base from 1930 to 1950 we believe the practical possibility of obtaining legislation to accomplish this is slight.

13. With regard to the discussion of the Asia-Pacific triangle in connection with paragraph 14, Mr. Alexander noted that he had tried to emphasize that this device is preferable to the existence of the "Asiatic Barred Zone". Mr. Tobin suggested that a sentence be added to the effect that the Asia-Pacific triangle would expand the area of admissability to immigration into the United States and would therefore be beneficial to our foreign relations.[4]

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[4] At its meeting on June 5, the PIN Committee continued to review the comments to be made by the Department of State on the Asia-Pacific triangle provision of the omnibus immigration bills and considered the suggestion that the Department indicate that, in the absence of some such provision, about 150,000 Asians born in Europe and Africa would become eligible for quota immigration. Tobin felt that the Department should admit that this was a controversial question. There followed considerable discussion on the question of admitting people of Asian origin who were now in Latin America. It was generally concluded that an Asia-Pacific triangle provision was necessary because of the nonquota status of the Western Hemisphere countries, a status it was considered inadvisable to change. It was also concluded that the Department did not assume that unlimited immigration into this country was acceptable. (Minutes of June 5 meeting, designated PIN M-68, PIN files, lot 56 D 324, "Minutes, 1947-52")

L/SFP files, lot 67 D 466, "Immigration and Naturalization, JMK"

Memorandum of Conversation, by the Deputy Assistant Secretary of State for Congressional Relations (Brown)

WASHINGTON, July 18, 1952.

Subject: Immigration & Naturalization Bill

Participants: Senator William Benton
The Secretary
Ben H. Brown, Jr.—H

I saw Senator Benton at his request to discuss the reaction of several Senators to the Department's recommendation to the President on the McCarran-Walter Immigration Bill.[1]

Senator Benton started off by saying that he, Senator Humphrey and Senator Lehman were deeply shocked that the Department had recommended signature of the Omnibus Immigration Bill without having consulted them. He said that Senator Lehman was hit harder by the blow than any of the others. He characterized our failure to consult with them prior to making our report to the President as a failure in congressional relations.

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[1] See the memorandum by Secretary Acheson, Apr. 14, 1952, p. 1587.

I stated to the Senator that our report to the President was a secret report from a Cabinet officer to the President and that it would not have been appropriate to discuss it with anyone. I pointed out that the recommendation was made purely from the standpoint of foreign relations and that by its specific terms it did not comment on other aspects of the bill. I pointed out further that the recommendation was not supposed to have become public, that it was strictly a matter between the Department and the President. I gave Senator Benton for his information a copy of the Department's recommendation to the President and of the more detailed Department paper which discussed the Bureau of the Budget's comments on the legislation.[2] Senator Benton replied that although the fact that the report was supposed to have been a secret one threw a little different light on the situation, it had still been most embarrassing to those who had fought against the bill and for a more liberal bill. He felt that our report had cost them the two votes necessary to sustain the veto.

He stated that since the principal thing the Department seemed to be interested in was removal of racial discrimination, he could have obtained passage in the Senate of H.R. 403.[3] I pointed out that this would not have solved the problem since it related only to naturalization and by its very terms it did not remove any racial barriers to immigration. The Senator replied that as a price for adjournment he and his colleagues could have obtained an appropriate amendment and passage of the bill. Mr. Brown interposed that the Department had been trying for several years to obtain legislation along this line and had, in fact, attempted to have the House amend H.R. 403 to this effect without success. The Senator was not shaken in his belief that he and his colleagues could have obtained legislation removing racial discrimination in both immigration and naturalization.

I told Senator Benton that it was our obligation to report to the President the views of our Far Eastern friends on this subject and I showed him copies of two telegrams[4] from Ambassador Murphy which indicated how strongly the Japanese felt. The Senator replied that he was not surprised at the messages, that he was present in Japan when the Japanese Exclusion Act was passed and knew of the very bad public reaction. He then restated his opinion that we could have accomplished this purpose through H.R. 403.

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[2] Not printed.

[3] Reference is to a bill passed by the House on Feb. 19, 1951, permitting the naturalization of Asiatics in the United States. The Senate took no action on this bill.

[4] Not further identified.

I asked Senator Benton to study our report to the President and the accompanying papers which I had given him and he said he would be happy to do so. He indicated that he had a better understanding of the Department's position than before our conversation.

Senator Benton said that he was sorry Senator Lehman and Senator Humphrey were not in town as they should have liked to accompany him, and asked me to please write them each a letter. This I undertook to do.[5]

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[5] Not printed.

398.18 ICEM/11-2652

Report on the Fourth Session of the Provisional Intergovernmental Committee for the Movement of Migrants From Europe[1]

CONFIDENTIAL [WASHINGTON,] November 26, 1952.

The Fourth Session of the Provisional Intergovernmental Committee for the Movement of Migrants from Europe was held at Geneva from October 13 through October 21, 1952. The Subcommittee on Finance met at Geneva from October 9 through October 20, 1952. Twenty governments were represented as members of the Committee. Bolivia, which was represented at the Second Session as a full member, but has not yet confirmed its membership in writing to the Director,[2] was represented at the Fourth Session by an observer. Other governments, the Holy See and international organizations were represented by observers.

The Migration Committee was established at Brussels in December 1951 following the Conference on Migration which was attended by twenty-seven governments. Fifteen governments of those represented at Brussels participated in establishing the Committee. Sweden had joined the Committee since the Third Session.

The twenty governments participating in the Fourth Session were, therefore: Australia, Austria, Belgium, Bolivia (as an observer), Brazil, Canada, Chile, Denmark, France, Germany, Greece, Italy, Israel, Luxembourg, the Netherlands, Paraguay, Sweden, Switzerland, the United States, and Venezuela. The following nine governments and the Holy See were represented at the Fourth Session by observers: Colombia, Costa Rica, Ecuador, Norway, Panama, Peru, Spain, the United Kingdom, and Uruguay. The representative of Norway indicated informally that favorable parliamentary action on the membership of Norway might be expected in the very near future. This was confirmed after the meeting by Norway's formal acceptance of membership. Although Argentina was not represented at the meeting, word was received from the Argentine Government during the session that a decision to join the Committee had been reached and the Committee was requested to send a representative to Rio de Janeiro after the session to negotiate the conditions of Argentina's membership. The United Kingdom Representative made no statement during the course of the session. The Director reported informally that New Zealand had reached a decision not to join the Committee during 1952.

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[1] Drafted by Warren.

[2] Hugh Gibson.

[Here follows an account of the deliberations of the finance subcommittee which met October 9-11, and thereafter "occasionally during the Fourth Session of the full Committee."]

Having considered the Progress Report of the Director Covering the Period from June 1 to September 30, 1952, the full Committee dealt first with the question of continuing the Committee's activities after December 31, 1952. Initiative on this question was taken by the Governments of Australia, Brazil, France, Germany, and Italy, which proposed the adoption of a resolution prolonging the activities of the Committee indefinitely beyond December 31, 1952, and that the name of the organization be changed to "Intergovernmental Organization for Migration". The proposal of these governments was supported in principle by the representatives of Israel, the Netherlands, Greece, Belgium, and Denmark. The representatives of Canada and Sweden were unprepared to consider action giving the Committee a permanent status. Unfortunately, the discussion on the continuance of the Committee's activities was influenced substantially by the Report on Technical Aid and International Financing [3] made by the Director in accordance with Resolution No. 24 adopted at the Third Session.[4] This Report suggested that the Committee expand its services, and in particular, participate in the organization and financing of pilot colonization projects. The argument presented by the proponents of the foregoing resolution was, briefly, that the Committee's experience in 1952, while fully justifying the establishment and continuation of the Committee, had shown that the mere movement of migrants and refugees, even with passage supplied for some at the expense of the Committee, had not produced the anticipated impact on the problems of refugees and surplus populations in Europe. In order to make a more impressive contribution to the resolution of these problems, the Committee would need to expand its activities, and devote its attention to the possibilities of increasing the volume of migration from Europe through the encouragement of colonization schemes. To do this it would be necessary to give the Committee permanent status. In the discussion the representatives of the immigration countries, particularly Australia, Brazil, Chile, and Venezuela, took the position that a substantial increase of movement of migrants to their countries could only take place if accompanied by the investment of external capital in colonization projects.

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[3] This report is not printed.

[4] The confidential report on the Third Session of the Provisional Intergovernmental Committee for the Movement of Migrants from Europe, held at Washington, June 10-13, 1952, is in file 398.18 PICMME/6-3052.

In response to these representations, the U.S. Representative stated that the United States was prepared at this time to consider the prolongation of the Committee's activities for 1953, and specifically under the terms of the Brussels Resolution.[5] The United States was not prepared to support proposals that the Committee should engage in the management or operation of colonization projects or to participate, through the use of its funds, in the financing of such projects. The United States would be prepared to consider more specific proposals for the future of the Committee as they might become crystallized during the discussions in the Committee in 1953. The U.S. Representative pointed out that the Member Governments would need to have more precise proposals placed before them in modification of the Committee's terms of reference contained in the Brussels Resolution and sufficient time to consider such proposals before any action could be taken upon them. The representative of Canada associated himself with the position of the United States, and a drafting committee was appointed to prepare new resolutions. The resolutions finally adopted on this item and on the Report of the Director on Technical Aid and International Financing of Migration provided that the Committee would continue operations during 1953 under the title "Intergovernmental Committee for European Migration", that it would expand its services directly connected with movement under the terms of the Brussels Resolution, and make its staff available to assist interested emigration and immigration countries to develop a formula for the financing of colonization projects which might make possible the successful presentation of such projects to the International Bank for Reconstruction and Development by the concerned governments. All other proposals for activities by the Committee, not covered by the basic resolution, would be presented to the Committee at its next session in the form of a draft constitution proposing a more permanent status for the Committee.[6]

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[5] Adopted Dec. 5, 1951, at the Conference on Migration held at Brussels, Nov. 26–Dec. 5, 1951. See the report on that conference, p. 1572.

In connection with the discussion on the Director's Report in accordance with Resolution No. 24, on Technical Aid and International Financing for the Encouragement of Migratory Movements, a private meeting was held on the evening of October 15, in which the representatives of Australia, Brazil, Germany, Italy, the Netherlands, and the United States participated. At this meeting Mr. W. Hill, the Special Representative in Europe of the International Bank for Reconstruction and Development, assured the emigration and immigration countries present of the interest of the Bank in projects of land settlement and outlined the procedures under which loans for such projects might be entertained by the Bank. Briefly, he indicated that the Bank would be interested in both small and large projects, would be prepared to make loans for periods of time up to thirty years, and would require the government of the country in which the land settlement were to take place to guarantee the loan. In response to questions, he thought it quite possible that whereas governments had been unwilling to apply for loans of this character unilaterally, a combination of emigration countries and an immigration country might conceivably participate in the financing of specific land settlement projects in which the Bank might provide a minority share of the required capital. The interest of the governments in Mr. Hill's presentation was clearly evidenced by the character of the questions asked, and it appeared that the governments present were prepared to consider for the first time the possibility of cooperative financing in which the Bank might participate. None of the representatives present, with the exception of Dr. de Souza of Brazil, were in a position to say that their governments were ready to seek loans immediately from the Bank. The Brazilian Representative stated that his Government would proceed to prepare projects of this character for early presentation to the Bank. These projects would not include certain Italian sponsored settlements already initiated in Brazil.

[Here follow details concerning the United States contribution to the Committee budget and of the staff regulations adopted by the full Committee.]

The discussions of the Committee at its Fourth Session, at which Count Giusti del Giardino of Italy presided, reflected the anxiety of the countries of emigration—Germany, Greece, Italy, and the Netherlands—to secure a larger movement out of Europe. Count

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[6] The Fifth Session of the Intergovernmental Committee was held at Geneva, Apr. 16-24, 1953. A copy of the confidential report on this session is in file 398.18 ICEM/4-2853.

Giusti referred frequently in his statements to the political urgency of increasing the movement from Italy. The representative of Greece pointed almost disparagingly to the small numbers moved from Greece and even hinted that unless better results could be achieved, Greece might not feel justified in continuing as a member. Whereas concern was evident at the Conference on Migration at Brussels that the Committee might transgress on the areas of activity of other international organizations interested in migration, at the Fourth Session the emigration and immigration countries, with the exception of Canada, desired to have the Committee assume responsibility in any aspect of the field of migration which offered the hope of increased movement out of Europe, including participation in the organization and financing of land settlement projects, and in consequence desired an early decision that the Committee have a permanent status. The informal discussions with the representative of the International Bank definitely raised the question of the possibility of assisting the emigration and immigration countries in the search for a formula for the financial structure of land settlement projects and further challenged the emigration and immigration countries to exploit the opportunities of financing land settlement, available through the International Bank. Informal discussions with the Deputy Director [7] at the meeting indicated that the administration would request the International Bank to suggest a person to be added to the Migration Committee staff having a background of banking experience, who can explore directly with the concerned emigration and immigration countries the measure of their interest in seeking bank loans and develop with them a formula for the financial structure of land settlement projects. Should this action be taken, it might be determined during 1953 whether such a formula can be found, and if not, the reasons therefor, and whether the concerned governments are prepared to assume the obligations of bank loans for this purpose.

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[7] Pierre Jacobsen of France.

398.18 ICEM/12-152

The Acting Assistant Secretary of State for Economic Affairs (Linder) to the United States Special Representative in Europe (Draper)[1]

CONFIDENTIAL [WASHINGTON,] December 1, 1952.

DEAR BILL: You will recall our meeting here in the Department on October 20 in which we reviewed the problem of European migration and particularly the urgency of getting some action under way in the light of the forthcoming Italian elections.

Shortly after our meeting I addressed a statement to the President's Commission on Immigration and Naturalization which laid special emphasis on the problems arising from surplus populations in parts of Western Europe. It pointed to the estimated three to five million persons for whom there are no reasonable prospects of integration into the economies of their countries and the political implications of this situation, especially as it pertains to Italy. Although my remarks were directed especially to the question of what the United States should do, I stressed that the responsibility for solving the European surplus population problem cannot rest with any one country but must be shared on the basis of effective international action and cooperation. In this connection the attention of the Commission was drawn to potential migration opportunities in underdeveloped areas such as Latin America and in underpopulated countries such as Canada and Australia.

My recommendation to the Commission was two-fold. I urged first the liberalization of our own laws to permit the immigration of Italian nationals to this country substantially above the level now legally possible. Such action would contribute significantly toward strengthening the forces of democracy in the forthcoming Italian elections and at the same time provide a dramatic example for other countries of potential immigration to follow, thereby facilitating our efforts to encourage similar action on their part. The second course that I urged was that the United States should consider the need and feasibility of establishing additional facilities for providing financial help in the economic development field directly related to the needs of immigrants who might be settled in larger numbers in Latin America and Australia.

Subsequent to my submission of this statement several representatives of the Department, including myself, met personally with the Commission and discussed at length the implications of United States immigration policies from the standpoint of foreign relations. While much of this discussion was concerned rather directly with an attempt to assess the political and psychological impact of the McCarran Act[2] in various areas of the world, emphasis was given to the urgency with which countries of emigration pressed the need for a larger volume of emigration at the Migration Committee meeting in Geneva.[3] George Warren further explained that other countries of Western Europe such as France and Belgium were also concerned about the problem of liberalizing immigration because they operate as countries of second asylum for the transit of refugees. They are willing to assume this role only if they have some assurance that they will be relieved of the burden by other countries in a position to absorb the refugees.

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[1] Drafted by Isaiah Frank, Adviser, Office of Economic Defense and Trade Policy, Bureau of Economic Affairs, on Nov. 28, 1952.

I took the occasion to emphasize to the Commission the need for a liberal immigration policy in the light of our broad foreign economic policy objectives. I explained how the long-run economic viability of Western Europe can only be achieved if a much greater degree of flexibility is introduced into European economies, and that to this end rigidities had to be eliminated not only internally but externally as well. With respect to the external aspects of this problem, however, the main focus of attention has been on the international movements of goods and capital with relatively little attention given to the movement of people. When the Commission inquired as to whether it was possible to point to some good specific illustration of the adverse effect of restrictions on the achievement of United States foreign economic objectives, I pointed to the Italian situation and explained the problem in the terms already outlined.

I assume that the President's Commission will have these considerations in mind in preparing its legislative recommendations. The report of the Commission is due by the end of the year.[4]

We shall continue to follow this problem and in that connection I would be grateful for any further suggestions or observations which you may care to make.

Sincerely yours,

HAROLD F. LINDER

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[2] Reference is to the Immigration and Nationality Act of 1952 (Public Law 82-414); for a legislative history, see the editorial note, p. 1569.

[3] Reference is to the Fourth Session of the Provisional Intergovernmental Committee for the Movement of Migrants from Europe which met at Geneva, Oct. 13-21, 1952. For the confidential report on this session, see *supra*.

[4] *Whom We Shall Welcome: Report of the President's Commission on Immigration and Naturalization* (Washington, 1953).

Eisenhower Library, Dulles papers, "Telephone Conversations"

Memorandum of Telephone Conversation, Prepared in the Department of State

[WASHINGTON,] March 19, 1953.

1. The President telephoned to ask the Secretary about the McCarran Act, could he say that they agreed that it should be flexible enough to allow the Executive Department to allocate unused quotas? The Secretary said he doesn't know enough about the Act to comment very intelligently. The President said that for instance the British have a quota of about 40,000 which they do not use and the Italians have only 5,600 and are overloaded with applications. Why couldn't they transfer the unused quota to one that needed it, on the basis of usual standards of morality, intelligence, etc. The Secretary did not see any reason why we should not, and mentioned that there should be more flexibility in the mechanics as they applied to sailors, etc., as brought out by the Norwegian Ambassador.[1]

[Here follows brief discussion concerning a conversation between the Secretary and Scott McLeod, Administrator of the Bureau of Security and Consular Affairs.]

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[1] In a memorandum by Sherman Adams to Joseph M. Dodge, Special Assistant to the President, dated Mar. 23, 1953, Adams described the legislative leadership conference held at the White House that morning and wrote that "the President restated his campaign pledge to work for greater flexibility with respect to transferring to certain countries quotas unused by others." According to Adams, Senator Robert A. Taft of Ohio, the Majority Leader, "indicated that such flexibility would constitute a major change in the quota system, such as he felt Congress would not approve." (Eisenhower Library, Eisenhower papers, White House Office records, "Legislative Leadership Meetings")

Eisenhower Library, Eisenhower papers, Whitman File, Dulles–Herter Series

Memorandum by the Secretary of State to the President

CONFIDENTIAL WASHINGTON, March 26, 1953.

Subject: Emergency Immigration Legislation

Reference your memorandum of March 24, 1953[1] on the subject of immigration legislation, I recommend that you request Congress to adopt a temporary emergency measure authorizing the admission of 240,000 non-quota immigrants during the next two years to help alleviate the European problem of refugees from East Europe and overpopulation in Italy, the Netherlands and Greece. Bills on this subject introduced by Representative Celler and Senators Langer[2] and Hendrickson,[3] although similar in scope, differ in numbers to be admitted and in other respects. This type of legislation would be independent of any general revision of the McCarran-Walter Act[4] and would not deal with the general quota question.

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[1] Not found in Department of State files.

I believe that the bill introduced by Miss Thompson,[5] providing for emergency admission of immigrants from the Netherlands alone, would have undesirable political repercussions in other countries in Europe suffering from an overpopulation or refugee problem. The Dutch Government itself prefers not to be singled out in this way.

The immediate urgency for a policy decision arises from the scheduled discussion of the general subject at the North Atlantic Council meeting in April, our delay in responding to NATO inquiries made in preparation for the meeting and the effect a policy announcement may have upon the national elections in Italy at the end of May.

If you agree with my recommendation you may wish to discuss it with Congressional leaders and to make a preliminary announcement at a press conference of your intention to submit a request for Congressional action on this subject.

If your reaction is a favorable one my Department in cooperation with other interested government agencies will prepare a transmittal message and legislative suggestions on this subject which you may then forward to Congress.

Insofar as the McCarran-Walter Act itself is concerned I will have a study made in order to develop a comprehensive policy proposal.

JOHN FOSTER DULLES

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[2] William Langer (R.-N.D.).

[3] Robert C. Hendrickson (R.-N.J.).

[4] Reference is to the Immigration and Nationality Act of 1952 (Public Law 82 414).

[5] Representative Ruth Thompson (R.-Mich.).

398.18 ICEM/4-253

Memorandum by the Chairman of the Intergovernmental Committee for European Migration (Gibson)[1]

[WASHINGTON, March 26, 1953.]

Without passing judgment upon whether the McCarran-Walter Immigration Act is good or bad legislation, the fact remains that this legislation has probably done more to create misunderstanding towards the United States, particularly in Europe, than any other single Act for some time.

In the light of the misunderstanding which this has created among the otherwise friendly peoples of the world, careful and serious consideration must be given to the problem of overcoming these unfortunate and unintended consequences of the adoption of the McCarran-Walter law.

Essential as U.S. immigration legislation may be from the viewpoint of dispelling the misunderstanding and unfriendly atmosphere abroad, *even more essential and more immediate is the need for a strong unequivocal human declaration on the part of the Administration which will have the desired effect abroad.*

It is suggested that a declaration by the President, perhaps a letter from the President to Ambassador Gibson, Chairman of the Intergovernmental Committee for European Migration (ICEM), to be read at the Committee's opening session in Geneva on April 16th and released simultaneously in Washington, incorporating the following factors, will go a long way towards reaching the desired result:

(1) That this Administration views with extreme concern, interest, and understanding the problem of excess populations in certain of the free countries in Europe and elsewhere in the world.

(2) That this Administration recognizes that the problem of excess populations is an acute one and carries with it evils of unemployment and underemployment and subjects such populations to standards of living which make them easy prey to totalitarian ideology.

(3) That while this great human potential is being wasted in Europe it will be welcome and most profitably employed by a great many overseas countries which lack sufficient populations to develop their natural resources and raise their standard of living.

(4) That this Administration has and will continue to take steps to show our friends abroad that we are well aware of the excess

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[1] This memorandum was attached to a covering letter from Abba P. Schwartz, Counsel to Hugh Gibson, dated Apr. 2, 1953, and addressed to Warren. In the letter, Schwartz explained that the memorandum was a copy of the one left with Maxwell Rabb, the Assistant to the Assistant to the President, by Gibson, following his meeting with the President at the White House on Mar. 26, 1953.

population problem which they face by taking further initiative directed towards the ultimate solution of the problem.

(5) That this Administration fully and whole-heartedly supports the efforts which the free countries of the world have taken at the initiative of the United States government in forming the ICEM, which already has made important if modest strides in evolving solutions to this problem.

(6) That this Administration will continue to give its full support to the ICEM and will continue to examine with deep and friendly interest the excess populations problems; and through the medium of the ICEM will bring to the attention of the free world its suggestions and recommendations looking towards an increase of movement of excess populations from the free countries of Europe to the under-manned regions overseas.

(7) That this Administration whole-heartedly welcomes the support which the emigration countries of Europe, the immigration countries overseas, and the other interested countries have given to the efforts to find solutions to this problem and hopes that all interested countries will do their full and fair share, confident that the United States government is anxious and desirous that the excess population problem be solved through mutual international effort in which the United States will actively participate.[2]

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[2] According to the confidential report of the Fifth Session of the ICEM held at Geneva, Apr. 16–24, 1953, Warren, at the request of Director Gibson, read to the Committee a letter to the Director from President Eisenhower "commending the Committee on its work and the manner in which member governments had assisted in receiving migrants and refugees." The letter indicated that the "United States Government would continue to give consideration to the manner in which it could, in concert with other governments, most helpfully assist the Committee in its further efforts." A copy of the report is in file 398.18 ICEM/5–2853.

SCA files, lot 62 D 146, "RRP—Legislation"

Memorandum by Frederick J. Mann to the Administrator of the Bureau of Security and Consular Affairs (McLeod)

CONFIDENTIAL [WASHINGTON,] April 24, 1953.

Subject: Implementation of the President's Proposal for Special Immigration Legislation

I attended the meeting held this morning which was called to consider means of drafting legislation to implement the President's proposal of April 22, 1953, that Congress enact a law permitting the entry of 240,000 refugees, escapees and distressed persons into the United States as non-quota immigrants over a 2-year period.[1] Among State Department areas represented were: The Visa Office; The Bureau of Economic Affairs; The Bureau of European Affairs;

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[1] The President's proposal was contained in his letter of Apr. 22 to Congress; for text, see Department of State *Bulletin*, May 4, 1953, p. 639.

The Bureau of Congressional Relations; and The Office of Adviser on Refugees and Displaced Persons (UNA/R). Outside agencies participating were: The Bureau of the Budget; The Department of Labor; The Mutual Security Agency; The Immigration and Naturalization Service; The Central Intelligence Agency; and the Psychological Strategy Board. Mr. George Gray, Bureau of Congressional Relations presided. The principal speaker was Mr. Max Rabb, assistant to Presidential Assistant Sherman Adams.

Mr. Rabb, who has been charged with coordinating the project for the White House, stated that the contemplated measure was one in which the President took a deep, personal interest, and which he desired to have pushed to successful completion as quickly as possible so that an acceptable legislative proposal could be transmitted to Congress at the earliest possible date.

Certain of the individuals present set forth their views on [*or*?] those of their areas or agencies. The representative of the Immigration and Naturalization Service, speaking for himself, declared he wished to have as simple an organizational structure as possible for administering whatever legislation is enacted and stated that the fewer the agencies involved the more effective would be the operation.

The MSA representative said that Mr. Stassen had personally interested himself in the proposal and had communicated directly with the President on the matter. It was emphasized that MSA's interest lay primarily in the effect such a special immigration program would have upon the conduct of our foreign relations.

The Budget Bureau representative stated that his agency's primary concern was with financing the program and deciding how the monies needed should be allocated.

Mr. Maney,[2] speaking as Director of the Visa Office, emphasized that his area was concerned only with the technical visa operation involved in the program, and ruled out any question of interest in policy aspects, or of the desirability of including or discarding provisions on a policy basis.

Generally, it was agreed that as small a working group as possible, composed preferably of just one representative from each of the agencies most directly concerned and affected, should be established to draft a bill. This group could then confer and consult with other interested agencies and, of course, with the various areas concerned in their own departments or agencies.

Upon adjournment of this interdepartmental meeting the State Department members held a brief informal discussion among themselves. It was recognized that two major tasks confronted us:

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[2] Edward S. Maney.

(1). Determination of the allocations within the 240,000 maximum by nationality and, possibly, preferences and priorities (see "Appendix");

(2). Establishment of an effective mechanism for administering whatever legislation is enacted. This would involve not merely security screening of applicants, determination of their admissibility generally under the basic immigration law and the issuance of visas, but also such operations as the examination of visa recipients by immigration officers, transportation to the United States, their resettlement here, etc.

The consensus, among our Department people, was unfavorable on the whole towards the establishment of a special, independent Government agency, such as the Displaced Persons Commission which had primary responsibility for administering the Displaced Persons Act of 1948, to administer the new legislation. No definite decision was reached as yet on that point, however.

I may add that I mentioned that both the Office of Security and the Division of Foreign Service Personnel would have a material interest in whatever administrative machinery will be established and should be kept informed. The Bureau of German Affairs would also, of course, have a distinct interest in the operation of a considerable portion of the program as it did under the Displaced Persons Act.

Appendix

Tentative Allocation by Nationality in the Maximum of 240,000

50,000	Refugees now in West Germany, Berlin, Austria and Trieste (mainly German).
60,000	Ethnic Germans expelled from Eastern Europe after World War II, and German nationals.
15,000	Refugees now in NATO countries.
75,000	Italian nationals.
20,000	Greek nationals.
20,000	Dutch nationals.
240,000	

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum by the Secretary of State to the President

SECRET WASHINGTON, July 17, 1953.

Subject: Emergency Immigration Program

Reference our telephone conversation of July 14 [1] on the subject of your recommended emergency immigration legislation. If the Senate bill were to be redrafted into an all refugee bill, provided the refugee definition were sufficiently broad, immigrant eligibility from Italy would apply to the approximately one-half million Italians who returned to their country from Italy's former colonies and who left the Venezia Giulia area in the post-war period.

There would, however, be several serious objections to the transformation of the approach in the program into an all refugee one:

1. Restriction of the program to refugees would, particularly in Italy and the Netherlands, have negative political repercussions and may eliminate the considerable goodwill which would result from the broader approach.
2. The Italian Embassy has already expressed to the Department in a note dated July 6 [2] its judgment that restriction of the program to refugees in Italy "would be received unfavorably by the general public and entail adverse consequences both in the social and political field".
3. The all refugee approach would reduce the extent of leadership which we could exercise with other countries in encouraging them to increase their levels of immigration on the broadest basis from among the NATO countries suffering most from overpopulation.
4. The broader base of selection from these countries would make possible the selection of a better group of immigrants from the point of view of the age group, occupational skills, and thorough security screening.

I therefore recommend that if the Senators who have until now opposed your program, do not accept the compromise all refugee approach offered to them, a return to the original program be made in the legislation.

JOHN FOSTER DULLES

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[1] A memorandum of this conversation, in which the President and the Secretary of State discussed the effect on Italy of Senator McCarran's proposal to reduce the total number to be admitted under the emergency immigration program, is in the Eisenhower Library, Dulles papers, "Telephone Conversations".

[2] A copy of this note, delivered on July 7, is in file 865.411/7-653.

Eisenhower Library, Eisenhower papers, Whitman file, Dulles–Herter Series

Memorandum by the President to the Secretary of State

[WASHINGTON,] July 20, 1953.

At this morning's conference with the Legislative Leaders, I brought up the question of the Emergency Immigration Program.

I told them that I had no great objection to the Bill in its present form which (in the Senate, I believe) provides for 220,000 immigrants over a period of three years. However, since this Bill contains in its total some 4,000 or 5,000 people in very special categories, I suggested to the House Leaders that they might make the number considerably larger—even up to the original number. Then when it came to conference, the House could take the Senate's three-year provision, while the Senate would take the larger number from the House.

It was agreed that this item should remain on the "must" list.

Within the limits of this understanding, I know you will do whatever you can to further the progress of the Bill.

D.D.E.

Eisenhower Library, Dulles papers, "Telephone Conversations"

The Secretary of State to the Administrator of the Bureau of Security and Consular Affairs (McLeod)

WASHINGTON, September 23, 1953.

DEAR MR. MCLEOD: The President has issued an Executive Order[1] designating the Department of State as the agency of the Government which shall investigate and prepare a comprehensive report on each alien who is issued an immigrant visa as provided in the Refugee Relief Act of 1953.[2] I have issued today a Departmental Order designating your Bureau of Security, Consular Affairs, and Personnel as that part of the Department which will conduct the necessary investigations and prepare the required reports.

In issuing this Departmental Order, I am carrying out the intention of the President and of Congress that an appropriate "investigative agency" of the Government shall perform the statutory function in question. Not only is the Security Office in your Bureau the investigative branch of the Department, but also the Refugee Relief Act confers certain specific authority and responsibility upon you in the implementation of the Act as the Administrator named therein.

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[1] Reference is to Executive Order No. 10487 issued Sept. 16, 1953; for text, see 18 *Federal Register* 5635.

[2] Public Law 83-203, enacted Aug. 7, 1953; for text, see 67 Stat. 400.

As our Refugee Relief Program will soon emerge from the planning stage into the field of actual operations, I want to tell you again of my profound interest in bringing to an early fruition the hopes and dreams of the thousands of worthy immigrants who, by the united efforts of the President and the Congress, will be granted a place of asylum and of permanent refuge in our country from the political and economic oppression of the totalitarian countries behind the Iron Curtain. As I have told you in our planning conferences, I am sure that all of us who may have a part in this Refugee Relief Program will be able to look back upon it as one of the most gratifying experiences of our lives and as one of the most effective contributions which our country ever made to a solution of one of the great humanitarian problems which beset the world of our day and the people of our time.

You and your associates in the Department and in other agencies of the Government have my full support and best wishes for an early and successful fulfillment of the Program.

Sincerely yours,

JOHN FOSTER DULLES

Eisenhower Library, Dulles papers, "Telephone Conversations"

The Secretary of State to the Administrator of the Refugee Relief Program (McLeod) [1]

WASHINGTON, February 27, 1954.

DEAR MR. MCLEOD: You will recall that I sent to you on September 23, 1953, a letter [2] indicating my deep interest in the Refugee Relief Act of 1953 and especially the obligations which were placed on the State Department directly by that Act, and by the various remarks of the President and of interested members of Congress clearly expressing their intent with reference to that Act.

While I was attending the Berlin Conference,[3] I was disturbed by various published reports which cast doubts on the performance of the Department in carrying out our obligations under the Refugee Relief Act of 1953.

I would like to meet with you, and the other officers of the Department who have the principal responsibility in this area, as soon as possible after I return from Caracas,[4] in order to discuss this situation. I would hope at that time to have an informal progress report from you, and an expression of your opinion as to how the program will develop in the months ahead. I am particularly interested in discussing any problems which we may have met and which you feel may be preventing us from carrying out our responsibilities as effectively as we otherwise could. If there are such problems, I am personally interested in helping to overcome them.

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[1] McLeod was concurrently Administrator of the Bureau of Security and Consular Affairs and of the Refugee Relief Program.

[2] *Supra.*

[3] For documentation on the Berlin Conference, Jan. 25–Feb. 18, 1954, see volume VII.

Sincerely yours,

JFD

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[4] Reference is to the Secretary's attendance at the Tenth Inter-American Conference, held Mar. 1–28, 1954. For documentation on this conference, see vol. IV, pp. 264 ff.

Eisenhower Library, Dulles papers, "Telephone Conversations"

Memorandum of Telephone Conversation, Prepared in the Department of State

[WASHINGTON,] May 26, 1954.

TELEPHONE CONVERSATION WITH MR. BROWNELL

[Here follows brief discussion about the possibility of new action on the Bricker amendment.]

The Sec. asked what B. had called for. B. said he had a report from the Immigration Service on the operation to date of the Refugee Bill. It is not going at all well as far as results are concerned.[1] B. asked if the Sec. had someone here who could be a trouble-shooter and meet with Swing(?),[2] who is giving it a fresh look since being in office last week and is disturbed. McLeod is away, continued B, and Alexander[3] is retiring in July and is showing no interest despite Presidential interest. The Sec. said McLeod is working on it now over there. B. said only 77 have come in, and McL. said 12,000 would be in by June 30. If each had a new man, we might come up with something,—we are going to be blamed. The Sec. said he thinks it has to be under McL. by law, as the intent was he would administer rigorously, but he is trying to be liberal. B. said they have some manpower to bring in if that will help. The Sec. said he will look into it.

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[1] C. D. Jackson, in a memorandum to Robert Cutler dated Mar. 26, 1954, urged "Presidential interest" in and an "NSC push" for implementation of the Refugee Relief Act with a view toward the "tremendous propaganda impact" this would have in Italy. Jackson stated that he was sure Cutler would be shocked to know that the legislation "has been deliberately sabotaged. In the nine months since the Bill was signed, four, repeat four, immigrants have come in under the Bill. . . . I think this is a pretty disgraceful performance." (Eisenhower Library, White House Office records, "Project 'Clean Up'")

[2] J. M. Swing, Commissioner of Immigration and Naturalization, Department of Justice.

[3] Robert C. Alexander, Assistant Administrator, Refugee Relief Program.

398.18 ICEM/5–2754

The Secretary of State to the Chairman of the House Committee on the Judiciary (Reed)[1]

[WASHINGTON,] May 27, 1954.

DEAR MR. REED: At our meeting on Friday, May 21, 1954, it was agreed that I would furnish you my views concerning the version of S. 1766, "To establish the Office of Refugees and International Migration", which was reported by your Committee on April 12, 1954.

As you were informed by Assistant Secretary Morton in his letters of January 28 and March 16, 1954,[2] the text of the Constitution proposed by the Intergovernmental Committee for European Migration[3] meets with the approval of the Department, and the Department is ready to support fully legislation authorizing United States participation in the Committee in accordance with the ICEM Constitution. If it were at all possible to do so, I would hope that legislation exclusively related to this subject could be approved by the Congress.

I am greatly concerned, however, regarding the provisions of the version of S. 1766 reported out by your Committee which would establish in the Department of State an Office of Refugees and International Migration. From the language of the bill and the Committee report, it would appear that the Secretary of State would be directed to establish an Office of Refugees and International Migration, headed by a Director who would have primary responsibility for the "development and administration of programs of assistance to refugees and international migration."

As you know, it was the intention of the President, in which I fully concurred, under Reorganization Plan No. 7 of June 1, 1953,[4]

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[1] Drafted by George O. Gray, Special Assistant, Office of the Assistant Secretary of State for Congressional Relations. Addressed to Chauncey W. Reed (R.–Ill.).

[2] Neither printed. Both are in file 398.18 ICEM/12–3053.

[3] The final text of the reference Constitution was enclosed in a letter from Chairman Reed to the Secretary, dated Dec. 30, 1953, in file 398.18 ICEM/12–3053. The Constitution was adopted at the Sixth Session of the ICEM, held at Venice, Oct. 12–21, 1953. A copy of the confidential report on that session is in file 398.18 ICEM/ 12–153.

[4] The reference reorganization plan, which became effective Aug. 1, 1953, abolished the Mutual Security Agency and transferred its functions as well as those of the Technical Cooperation Administration and the Institute for Inter-American Affairs to a new Foreign Operations Administration (FOA) in which the responsibility

Continued

to divest the Department of certain operating functions concerning refugees, but to retain policy guidance in the Department. I firmly believe that such policy guidance has in fact been retained and exercised within the Department.

In its present form, S. 1766 appears to be contrary to Reorganization Plan No. 7 and to return to the Department certain operating functions concerning refugees which to my mind would recreate the situation which the Reorganization Plan was designed to eliminate. As you know, the Reorganization Plan has been in operation for less than a year, and I know of no valid reasons for revising the present arrangements.

The language of the bill and its legislative history to date appear clearly to indicate an intention that those operating functions are to be returned to the Department of State. Even if there were subsequent clarification of the legislative intent on this point, however, I believe the provisions of the bill creating an Office of Refugees and International Migration in the Department would serve no useful purpose and would cause some uncertainty and confusion as to areas of responsibility.

I am in thorough agreement that the subjects of refugees and migration are extremely important and that there must be full coordination in those fields. As a matter of principle, however, and from the standpoint of good administration, I do not believe it wise to establish by statute special offices in the Department to deal with specific substantive matters.

In many cases, policy problems concerning refugees and migration are closely related to and can not be separated from the general foreign policy and economic problems of a particular geographic area. Furthermore, the problems of refugees and migration are of such a nature that I sincerely believe it would be better to permit the Secretary of State considerable freedom of action in establishing the administrative processes within the Department by which these problems are considered and coordinated.

In order that I might get my views to you as soon as possible, I have not had an opportunity to coordinate this letter with the Bureau of the Budget or other interested Government agencies.

Sincerely yours,

JOHN FOSTER DULLES

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for all foreign assistance programs was to be centralized. The plan also transferred from the Secretary of State to the Director of this new administration responsibility for assistance to private foreign relief organizations, for programs aiding escapees from Communist areas, and for operating functions with respect to U.S. participation in various U.N. agencies and in the Intergovernmental Committee for European Migration. For the text of the plan, as well as the President's message to Congress explaining its objectives, see Department of State *Bulletin*, June 15, 1953, pp. 849–853. See also the editorial note, p. 628.

398.18 ICEM/7-354

The Director of the Intergovernmental Committee for European Migration (Gibson) to the Secretary of State

GENEVA, July 3, 1954.

MY DEAR FOSTER: I have heard with considerable perturbation that contrary to expectations, the future of Senate Bill 1766 with which the fate of this Committee and its programs are so closely interwoven, is by no means plain sailing.

It is hardly possible to overstate the very invigorating effect of the positive attitude taken by the United States delegation at the last Session in Geneva which culminated in the inspiring address which you so generously found time to give to the Committee in plenary on 30th April.[1] I can assure you that the whole atmosphere of the Committee's deliberations was enhanced beyond measure and that this change was reflected in the many enthusiastic and complimentary remarks made to me by Delegates on the revivifying nature of this renewed demonstration of U.S. leadership and determination in the affairs of the Committee. An inevitable criterium for these countries of U.S. interest must be the question of its ratification of the draft Constitution regarding which Congressman Reed, who chaired the original Drafting Sub-Committee in Venice, gave so firm and optimistic a prognostication during this last Session. The consequences of any unexpected delay will be to undermine the whole fabric of the Committee and to undo what has been built with such determination and against considerable difficulties since the Brussels Conference in 1951,[2] at which the U.S. Government gave its earlier demonstration of initiative in a fundamental approach to the problem of European over-population.

I do not believe that it would be proper for me to offer advice on the internal questions of reorganization of U.S. Administration which are involved in the Bill, though I am sure you will know how I feel on the matter. I do hope, however, that this element will not result in serious delays being permitted to intervene before U.S. ratification receives approval. Such delays, in the face of the fact that eight governments, including Australia, Canada and Italy, have already deposited instruments of ratification, and several others are likely to do so in the near future, could only be little less than catastrophic for the Committee and would also raise, understandably, questions as to the real intentions of the United States Government, despite the public declarations made with such conviction by its representatives at the last Session of the Committee.[3]

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[1] For the text of Secretary Dulles' address, see Department of State *Bulletin*, June 28, 1954, p. 995.

[2] Reference is to the Conference on Migration, held Nov. 26–Dec. 5, 1951; for a confidential report on this conference, see p. 1572.

Yours sincerely,

HUGH GIBSON

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[3] For Secretary Dulles' reply to this letter, dated July 22, 1954, see p. 1639.

Eisenhower Library, Eisenhower papers, Whitman file

Minutes of a Cabinet Meeting, Held at the White House, 10:10 a.m.–12:20 p.m., July 9, 1954

CONFIDENTIAL

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles, and his
  Administrator, Bureau of Security, Consular Affairs and Personnel, Mr. Scott McLeod
Sec. Humphrey
Deputy Sec. of Defense Anderson
  (for Sec. Wilson)
Mr. Brownell
Mr. Summerfield
Sec. McKay
Sec. Benson
Sec. Weeks
Under Sec. of HEW Nelson Rockefeller (for Sec. Hobby)

Director Hughes
Dr. Flemming
Gov. Stassen
Chairman Young
Amb. Lodge
Dr. Arthur Burns
Gov. Adams
Gen. Persons
Mr. Rabb
Mr. Shanley
Dr. Hauge
Mr. Martin

[Here follow a report by the Secretary of State and discussion of various pending foreign policy issues.]

Refugee Relief Program—Mr. Scott McLeod, of the State Department Bureau of Security, Consular Affairs and Personnel, presented a series of charts showing the development and status of the State Department program for carrying out the Emergency Immigration Program authorized in August, 1953. He noted delays occasioned by the need for staffing the program, by the slowness of foreign countries in working out satisfactory agreements and documentation, and he announced that the program was now ready to move into high gear. In response to a query from the President, he stated that the State Department had a program ready for fostering the flow of assurances from US citizens.

Mr. McLeod requested assistance in securing amendment to the basic Act in order to give a greater option for ethnic groups within any given nationality and also in regard to orphans. Secretary Dulles commented on the legal obstacles imposed by the assurances required by law.[1] The President commented on his dislike of having detailed administrative instructions written into law, thus eliminating Executive discretion, and his own wonder as to where Americans would be now if their forefathers had been required to obtain such assurances.

[Here follows a report by Arthur Burns, Chairman of the Council of Economic Advisers, on a suggested increase in the minimum wage.]

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[1] Reference is to the requirement that those admitted under the Refugee Relief Act possess specific assurances of jobs and housing from their U.S. citizen sponsors.

SCA files, lot 62 D 146, "RRP—General Legislation"

Memorandum by the Administrator of the Refugee Relief Program (McLeod) to the President's Deputy Assistant (Persons)[1]

[WASHINGTON,] July 10, 1954.

Re: Legislative Support for Refugee Relief Program

In the Cabinet briefing[2] I alluded to H.R. 1893, an amendment to the basic legislation, which would be most helpful in administering this Act. This bill has passed the House and is now in the Senate Judiciary Committee.

In brief it provides that 45,000 numbers set aside in the Act for refugees in Italy will be freed from this narrow compartmentalization and the Administrator would have discretion to use these numbers to issue visas either to refugees or preference cases. Since we have over 70,000 preference cases backlogged in Italy, and since the refugees in Italy are somewhat synthetic in that they are actually, for the most part, returnees from Italian colonies, it is doubtful if we could find more than 15,000 bona fide refugees to meet the definitions of the Act. It is apparent, therefore, that passage of this legislation, which would enable administrative discretion, would be most helpful.

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[1] Maj. Gen. Wilton B. Persons, U.S. Army (Ret.).

[2] Reference is to the Cabinet meeting of July 9, the minutes of which are printed, *supra*.

In testifying before the Senate Appropriations Committee following the Cabinet meeting, Senator McCarran brought up this subject and indicated he was willing to pass the bill with an amendment providing that the preference people obtain the same assurances for housing and employment as are required for the refugees under the Act. I pointed out to him, at the Committee meeting, the operational difficulties involved in returning the petitions to the United States and obtaining the assurances, indicating that unless this matter was clearly specified there would be a confusion of jurisdiction in the matter since the preference petitions are handled by the Attorney General and are approved by him without reference to the Department of State.

If the amendments suggested by Senator McCarran are the only way to get the bill, I suppose it is worth the extra time and trouble. It is my view that these assurances are quite meaningless, insofar as the public welfare of the U. S. is concerned, since it makes no difference to the Federal Government where an alien is housed or is employed as long as he is not a public charge. His relative has already assured that he will not become a public charge when the petition is approved and forwarded overseas. Consequently, the suggested McCarran Amendment is only window dressing. Since Senator McCarran maintains such a rigid control of this Committee I doubt that we could outvote him on the amendments and it probably would be better to try to knock them out on the floor rather than have the Committee continue to sit on the legislation.

Any help you can give us on getting this thing out and getting it passed would be appreciated and I think that it would be possible to iron out any difficulties in the bill in conference with the House. I thought you should have this information so that the President could allude to this bill, as well as the budget, in his conference with the legislative leaders.

398.18 ICEM/7-2254

The Secretary of State to the Director of the Intergovernmental Committee for European Migration (Gibson)[1]

[WASHINGTON,] July 22, 1954.

DEAR HUGH: I am sorry that my other duties have not permitted me before this time to answer your personal letter of July 3, 1954[2] concerning Congressional authorization to accept the ICEM constitution adopted in Venice in October, 1953.

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[1] Drafted by Brown.

[2] For text, see p. 1636.

At the beginning of this session of Congress, Chairman Reed of the House Judiciary Committee asked the Department whether we would support legislation authorizing United States acceptance of the ICEM constitution and we assured him both informally and officially that the Department would favor such legislation.[3] Unfortunately, the authorization for United States acceptance was incorporated in a bill[4] which provided for setting up in the Department of State an office of Commissioner of Refugees and Migration under circumstances which would have restored to the Department certain operating functions expressly transferred to FOA by Reorganization Plan No. 7 of last year. We endeavored to persuade Mr. Reed to separate the ICEM constitution from this bill.[5] As an alternative, however, Mr. Reed and the House Judiciary Committee substantially revised the bill so that we could live with it. In this form the bill passed the House.

When the bill was returned to the Senate, before Senator Watkins,[6] Chairman of the Senate Judiciary Subcommittee on Immigration and Naturalization, could make his recommendations concerning Senate action on the bill, Senator McCarran obtained permission to recommit the bill to the Senate Judiciary Committee.

Thruston Morton, our Assistant Secretary for Congressional Relations, and I have talked to a number of people on the Hill concerning the bill and we are doing all we can. We are now trying to get the ratification of the ICEM constitution placed in the Mutual Security bill on the floor of the Senate. We are not at all sure that this strategy will succeed, but it is the last opportunity remaining at this late stage in the session.

Sincerely yours,

FOSTER

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[3] These assurances were contained in letters from Assistant Secretary Morton to Chairman Reed, dated Jan. 28 and Mar. 16, 1954, neither printed. (398.18 ICEM/12-3053)

[4] S. 1766.

[5] See the Secretary's letter to Chairman Reed, dated May 27, 1954, p. 1634.

[6] Arthur V. Watkins (R.-Utah).

398.18 ICEM/8-1854

The Secretary of State to the Chairman of the Senate Appropriations Committee (Bridges)[1]

[WASHINGTON,] August 18, 1954

DEAR MR. CHAIRMAN: The Department is greatly concerned about the Senate amendment to the Mutual Security Appropriation bill (H.R. 10051) regarding the security screening of migrants going to Western Hemisphere countries under the auspices of the Inter-Governmental Committee for European Migration.

Under the Senate amendment, the United States could not contribute directly to the payment of transportation for any person to the Western Hemisphere who has not had "a security clearance based on standards comparable to those in the United States Immigration and Nationality Act."

The administration thoroughly supports the objective of excluding subversives from admission to the Western Hemisphere but believes that this objective can be achieved more readily by the inclusion in the Report of the House–Senate Conferees of pertinent language directing the United States representatives to the sessions of the Migration Committee to make appropriate representations to the Committee on the subject and to insist that ICEM intensify its activities in the screening of migrants. Direct negotiations with other governments of the Western Hemisphere to bring their screening standards closer into line with United States standards could also be undertaken in response to the House–Senate Conferees' report.

Apart from the political problems which the amendment poses, particularly the possibility of offense to our friendly Canadian and Latin American neighbors, the amendment creates serious difficulties of administration in determining that screening standards applied by Canada, the Latin American countries, or by ICEM are comparable to those of the United States. The amendment will affect 50 percent of the estimated 155,000 to be moved by the Intergovernmental Committee for European Migration in 1955.

I hope it will be possible for the conferees to consider the deletion of the language of the Senate amendment concerning security clearance and to consider the inclusion in the report of the conferees of pertinent language directing the United States representative to the Migration Committee to insist that ICEM intensify its activities in the screening of migrants. Such language would also provide a base for negotiations through diplomatic channels with the other concerned governments in the Western Hemisphere.

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[1] Drafted by Warren and Gray on Aug. 18, 1954, and cleared with McLeod. Addressed to Styles Bridges (R.-N.H.).

Sincerely yours,

For the Secretary of State:
THRUSTON B. MORTON
Assistant Secretary

398.18 ICEM/10-654

The Director of the Intergovernmental Committee on European Migration (Gibson) to the Secretary of State

GENEVA, 6th October, 1954.

SIR: I have the honour to submit enclosed a memorandum on the U.S. Appropriations rider attached to Public Law 665[1] *ante*, p. 844, the provisions of which make the payments of U.S. contributions to the Migration Committee in 1955 conditional on security clearance of migrants to countries of the Western Hemisphere being based on "reasonable standards".

In the memorandum I have endeavoured to make some suggestions on general lines for the implementation of the rider which I trust you may consider of some value.

However, after careful study of the subject in the light of the interpretation by the U.S. Congress of the intent and text of the rider, of the tentative plan of its implementation, suggested to me by Mr. George Warren on September 17th, on behalf of the Department of State and of my obligations as Director of the Intergovernmental Committee for European Migration, I find that, before taking further action, I have to ask you for an official interpretation of the rider and for a ruling which would enlighten me on the conditions which the Committee should fulfil in order to qualify for the payments under its provisions.

I have the honour to be, Sir,
Your obedient Servant

HUGH GIBSON

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[1] Mutual Security Act of 1954, enacted Aug. 26, 1954; for text, see 68 Stat. 832.

[Enclosure]

MEMORANDUM ON THE U.S. APPROPRIATIONS RIDER ATTACHED TO U.S. PUBLIC LAW NO. 665

1. U.S. Public Law No. 665 appropriates the sum of $10,500,000 under Section 405 (a) as the U.S. Contributions in 1955 to the ICEM (Intergovernmental Committee for European Migration).

A rider attached to the Law makes the payments of these contributions conditional on the security clearance of migrants to countries of the Western Hemisphere being "based on reasonable standards".[2] (Text of Public Law No. 665, *ante*, p. 844 attached—Appendix No. 1 [3])

2. Viewed from the angle of the origins, the structure, and the legislation under the terms of which the ICEM has functioned and developed during the first three years of its existence (1952–1954), the provisions of the U.S. Appropriations Rider should be regarded as an additional measure initiated by one of the Member Governments to ensure against further spread and infiltration of communism, rather than as a new departure in the joint anti-communist policy of the 24 Member Governments of the Committee.

3. From the outset the Committee, established under its original name of PICMME (Provisional Intergovernmental Committee for the Movement of Migrants from Europe) at the Conference of 16 Governments held in Brussels in December 1951,[4] was conceived as an intergovernmental organization entirely free of communist membership and influences. This conception placed the Committee in a category of its own, distinct from all other international organizations. It determined its character and limited its membership to governments of free sovereign nations, directly or indirectly interested in the problems of European international migration and resettlement of refugees and excess populations.

The Brussels Resolution[5] defined the kind of migrants to be moved by the Committee in the following terms: " . . .[6] that, consequently, provisional intergovernmental arrangements between the democratic governments which adopt or may hereafter adopt this resolution are necessary in order to move persons who are attached to the principles to which these governments subscribe and who desire to emigrate to overseas countries where their services can be utilized in conformity with generally accepted international standards of employment and living conditions, with full respect for human rights."

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[2] The full provision stated: "That no funds appropriated in this Act shall be used to assist directly in the migration to any nation in the Western Hemisphere of any person not having a security clearance based on reasonable standards to insure against communist infiltration in the Western Hemisphere."

[3] Six attachments were appended to this memorandum; only Appendix 4 is printed.

[4] See footnote 2, p. 1636.

[5] Adopted at the Conference on Migration, Dec. 5, 1951.

[6] Ellipsis in the source text.

Legislation passed by the 82nd U.S. Congress in 1952[7] fixed the conditions of U.S. participation in the Committee and of U.S. financial contributions to the Committee's budgets. (Appendix No. 2)

The provisions of the Brussels Resolution and U.S. legislation reflects the determination of the founders and of the present Member Governments of the Committee not only to safeguard it from ever furthering or assisting the spread of communism but actually show their intention of counter-acting communism by means of assisted, duly controlled international migration.

The specific subject of security clearance of migrants was referred to in the Brussels Resolution of December 5, 1951, which stated that each Member Government was the final judge of measures of clearance of immigrants accepted by its country. Article 7 (a) of the said resolution provides that "each country of reception will retain control of standards of admission and the number of immigrants to be admitted". This provision is repeated in even more definite terms in the ICEM Constitution (Art. 1, paragraph 2): "*The Committee shall recognize the fact that control of standards of admission and the number of immigrants to be admitted are matters within the domestic jurisdiction of States, and, in carrying out its functions, shall conform to the laws, regulations, and policies of the emigration and immigration countries concerned.*"

For the ICEM the provision of the rider does not therefore raise a problem of principle but merely of practical application in a way which would enable the Committee to qualify under these provisions for the payment by the U.S. Government of its contribution in 1955.

Interpretation of the Provisions of the rider by the U.S. Congress

4. The necessity for clarification of the intent and text of the rider was raised by Representative Francis E. Walter in the U.S. House of Representatives on August 19th, 1954, in view of ascertaining the position of the Committee under its provisions, particularly those concerning standards of admission of migrants laid

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[7] Reference is to the Mutual Security Act of 1952 (Public Law 82–400), enacted June 20, 1952; for text, see 66 Stat. 141.

down in the Brussels Resolution and in Article 1, paragraph 2 of the Constitution.

In reply to Mr. Walter's question and to the doubts expressed by Mr. Celler, Mr. Gary[8] (Representative from Virginia, one of the Conferees responsible for the amended final wording of the rider) and Mr. Taber,[9] Chairman of the House Committee on Appropriations and of the Conference, supplied the official interpretation of the rider on behalf of the U.S. Congress and clarified its intent.

[Here follow excerpts from the *Congressional Record* of August 19, 1954; for the full text of the exchange between Representatives Walter, Gary, Taber, and Celler, see pages 15218–15219.]

This interpretation supplied on behalf of the U.S. Congress by Chairman John Taber and Mr. Gary appears authoritatively to establish that as far as the U.S. Congress is concerned:

a) The rider is not intended to modify or to repeal the Constitution of ICEM.

b) Does not lay down standards of security clearance, but merely asks for "reasonable standards".

c) Mr. Taber adds "I am satisfied that they (the standards) are going to be provided by any of those countries that have any substantial immigrants."

d) In conclusion Mr. Gary stated: "that the organisation itself (ICEM) will prescribe the standards and, so long as they are reasonable, they will comply with this provision of the bill."

Plan presented on behalf of the U.S. Department of State to Mr. Gibson, Director of the ICEM by Mr. George Warren, Consultant on Refugees and Migration at the Department of State

5. Mr. George Warren visited the Director of ICEM in Geneva on September 15th 1954 and, on behalf of the U.S. Department of State, submitted a tentative plan suggesting that Mr. Gibson should seek the authority of the interested Member Governments to approach the Secretary of State and ask him to conclude a contract with the Committee under the terms of which nominal rolls of prospective migrants to the Western Hemisphere would be screened by the security officials of the nearest U.S. Consulates at the cost of the Committee. According to Mr. Warren, the Committee would currently submit to the nearest U.S. Consulates nominal rolls of prospective migrants to Latin American countries. The U.S. Consulates would direct their security officials to make a name check of all such migrants against information available to the U.S. Consulates and, after concluding this procedure, would inform the representatives of the Committee which of the migrants did not qualify. The Migration Committee would move only the migrants

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[8] J. Vaughan Gary (D.).

[9] John Taber (R.-N.Y.).

cleared under this procedure. (Mr. Warren's memorandum of September 17th is attached as Appendix No. 4 and Mr. Gibson's memorandum of Sept. 16th handed to Mr. Warren is attached as Appendix No. 5.)

At Mr. Warren's request the Director has given careful consideration to these suggestions in the light of the pertinent provisions of the Brussels Resolution and the ICEM Constitution, of the clarifying Congressional interpretation of the intent and text of the rider reflected in the debate in the U.S. House of Representatives on August 19th and of his obligations, as the elected Director of the Migration Committee, to the Governments of the 24 sovereign nations constituting its membership.

6. On the basis of this study, the Director finds it difficult to reconcile the positions of the Brussels Resolution and the Constitution on security clearance of migrants as well as the interpretation by the U.S. Congress of the intent and text of the U.S. rider, with the procedures suggested in the plan communicated by Mr. George Warren on behalf of the U.S. Department of State.

Under these circumstances, Mr. Gibson considers it necessary and urgent to receive a clear ruling from the U.S. Secretary of State before determining what course to pursue.

7. *Analysis of the position of the Committee in regard to the requirements of the rider, as interpreted by the U.S. Congress*

a) Considering that the provisions of the rider do not modify or repeal the Constitution of ICEM, enacted by the U.S. Government in Public Law No. 665, and, particularly Article 1, par. 2 of the Constitution, it is evident that the rider does not impose upon the Administration of the Committee the task of final selection of prospective migrants to countries of the Western Hemisphere. This function continues to be the exclusive prerogative of the receiving countries in accordance with their respective immigration laws and procedures.

b) All Member Governments of the ICEM are equally anxious to prevent the immigration of communists to their respective countries. Their membership in the Committee, based on their acceptance of the terms of the Brussels Resolution and of the Constitution is an effective proof of their unequivocal stand on the prevention of communist infiltration.

c) The immigration laws and regulations of the countries of the Western Hemisphere contain exclusion clauses, some no less specific than those of the United States, on the subject of the admission of subversives.

d) The governments of some of these countries have already taken the necessary measures to implement their laws and regulations by applying reasonable standards of screening of would-be immigrants.

e) Those countries of the Western Hemisphere who have not yet seen their way fully to develop adequate measures of screening of immigrants for the application of their laws and regulations, would probably welcome helpful advice on practical methods of implementing their own laws and regulations by actually applying "reasonable standards" of security screening of immigrants. (Summary of Immigration Laws and Regulations—Appendix No. 6)

f) On the other hand, the authorities of certain emigration areas, namely Greece and Trieste, are effectively preventing by administrative measures the emigration of persons involved in communist activities. From information available to the Director, it appears that the screening is carried out in these areas under adequate and "reasonable standards".

In other areas the local authorities, although not in a position to prohibit the departure of subversives, are both competent and willing to furnish all relevant background information at the request of the governments of countries of immigration.

g) It should also be borne in mind that a substantial part of the Committee's individual migration movements is carried out by major denominational Voluntary Agencies whose determined opposition to communism and communist infiltration is unquestionable.

8. The services of the Migration Committee could usefully be placed at the disposal of Member Governments of countries of emigration and immigration whenever their present practices do not appear fully to implement their respective laws and regulations, to help them set up their own services for security screening of migrants, particularly by facilitating their contact with existing security services, for instance with those of the U.S. or Canada, thereby assisting them to ensure that the standards thus established would meet the requirements of the U.S. rider as interpreted by the U.S. Congress. In the case of countries which for any reason find themselves unable to set up a screening system of their own, the Committee would be ready to offer the services of its competent officials who would communicate to the governments of these countries information on the political reliability of prospective immigrants.

9. After receiving an official ruling from the Secretary of State on the interpretation of the language of the U.S. Appropriations rider, Mr. Gibson would be in a position to explore with the other interested Member Governments the most practical ways and means of implementing its provisions on the lines suggested in the preceding paragraph.

Only then will it be possible for the Director to formulate more concrete and detailed plans.

The Director hopes that a constructive solution, acceptable to all the interested Member Governments, including the U.S. Government, would emerge from his soundings and that full agreement upon the procedures to be adopted will be reached at a private meeting of these governments which could be held during the

Eighth Session of the Intergovernmental Committee at the end of November 1954.

Appendix No. 4 [10]

17TH SEPTEMBER 1954.

MEMORANDUM OF CONVERSATIONS

For: Mr. Hugh Gibson.[11]

In conversations on September 15th–16th we explored the steps which will need to be taken to enable the Migration Committee to qualify for the full amount of the U.S. contribution for 1955. A limiting condition in the appropriation legislation is to the effect that U.S. funds cannot be used to assist the movement of migrants to the Western Hemisphere who lack a security clearance based on reasonable standards. Security clearance calls for both investigation and evaluation of the information secured.

I stressed the importance of the matter and the urgency of establishing the methods and procedures that will be required. These methods and procedures should be in full operation by January 1, 1955 to avoid any delay in U.S. payments to the Committee or interruption in the movement of the migrants affected. I also suggested that experience under the legislation would be of interest to the Congress in the consideration next spring of the 1956 contribution to the Migration Committee. I offered the cooperation of the Department in assisting the Migration Committee to comply with the intent of the Congress and to accomplish the purpose to be achieved.

In exploring methods, I suggested that the Migration Committee might wish to consider the use of certain U.S. services on a cost-reimbursable basis. This suggestion was put forward not as a formal proposal but as a conceivable arrangement which might be explored further by the Migration Committee and the Department. I observed that the arrangement would have two specific advantages. It would bring into play services already experienced in this field which could be expanded most readily to accomplish the task; costs could be determined rather quickly and kept to a minimum and the operation itself would be expedited from the point of view of timing. Such an arrangement would also most convincingly establish the fact of compliance with the condition of the legislation.

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[10] This memorandum was enclosed in a letter of the same date from Warren, not printed, which Gibson attached to his letter to the Secretary as Appendix 4.

[11] In a memorandum dated Sept. 16, 1954 (Appendix 5), Gibson asked Warren to summarize in writing the suggestions he had made for dealing with the appropriations rider.

Without reaching any final conclusion as to the feasibility of this suggestion, we then explored the manner of approach that should be made to the other member governments concerned with the problem. I made the observation that if the condition attached to the U.S. contribution for 1955 were to arise in discussion at the Session of the Migration Committee in November, a prior briefing of the governments as to plans and procedures to be adopted might be useful. We briefly considered the feasibility of notification to the governments through the Chiefs of Mission of the Migration Committee. This procedure presented certain difficulties and we proceeded to explore an alternate possibility of developing the necessary arrangements with governments at the working level in the field. This led us to a discussion of the qualifications of a Security Officer of sufficient experience and capacity to develop satisfactory arrangements. An early appointment of such an officer to proceed on the working level might minimize the danger of misunderstandings at the Session in November [and] the necessity for prolonged conversations on the subject with representatives without prior instructions as to the positions of their respective governments. In concluding the conversations, I again expressed my judgment that the Department would be prepared upon further consultation to support the Migration Committee's efforts to work out the necessary arrangements with the concerned governments.

GEORGE L. WARREN

SCA files, lot 62 D 146, "Implementation of the Refugee Relief Act"

Memorandum by Antonio A. Micocci of the Office of Security and Consular Affairs to the Deputy Assistant Secretary of State for Public Affairs (McIlvaine)

CONFIDENTIAL WASHINGTON, October 20, 1954.

Subject: Refugee Relief Program.

Background:

The Refugee Relief Program pursuant to Public Law 203 (as amended by Public Law 751)[1] is, by legislative direction, conducted largely with instrumentalities already in existence when the laws were passed. These include the Visa Office of SCA, the Visa Officers in the field, the Immigration and Naturalization Service in the Department of Justice, the U.S. Employment Service in the Department of Labor and the Public Health Service in the Department of Health, Education and Welfare. In addition, under some conditions, FOA, CIA, Treasury and Defense also come into the picture.

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[1] Enacted Aug. 31, 1954; for text, see 68 Stat. 1044.

While the law was intended as a relaxation, for a limited period, and in some respects, of the Walter-McCarran Act, the implementation of the law is largely in the hands of persons who by circumstances not of their making, tend to look at the immigration process as a restricting or a legalistic exercise. At the same time, there are in existence statutes that put a positive responsibility on FOA to deal with escapees and refugees in a manner calculated to promote certain objectives that are not stated in the Refugee Relief Act.

The persons who in their several ways share in the implementation of the Refugee Relief Act are, in general, not aware of the psychological objectives that can be promoted by the Refugee Relief Program, and the contribution that the informed and successful execution of this program can make to the objectives to be achieved by FOA's Escapee Program. On the whole these offices operate in a different world from those in the Regional Bureaus, in Public Affairs, in USIA , in CIA, in OCB, etc, etc.

Action Proposed:

We propose that P, working as it deems proper or useful with Stevens [2] of EE, with OCB, and with USIA produce a guidance or a directive on this whole area of concern.

When produced we would then use the paper to condition the attitude and the thinking of the many groups that have an operational role in carrying out the Refugee Relief Program.

This kind of conditioning paper is particularly needed, for example, by the Visa Officers and by the Immigration Service. I say "conditioning" because by law no one person can *order* a Visa Officer to issue a visa, nor an Immigrant Inspector to allow an alien to enter the country.

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[2] Francis B. Stevens.

398.18 ICEM/10-2954

The Director of the Intergovernmental Committee for European Migration (Gibson) to the Secretary of State

GENEVA, 29 October 1954.

DEAR MR. SECRETARY: In your personal letter of October 19th 1954 [1] you were kind enough to suggest that I might make alternative suggestions to the plan put forward by Mr. Warren in his talks with me and his subsequent memorandum dated September 17th.[2] In my memorandum to you dated October 6th,[3] I have requested your official ruling concerning the interpretation of the text of the Appropriations Act which covers the U.S. contribution to the Migration Committee for 1955 (Public Law 778).[4] I have also put forward in that memorandum certain proposals concerning possible action by this Committee. In an additional memorandum which I am attaching to this letter, I am elaborating on these proposals which, in my opinion, would meet the conditions set by the U.S. Congress and might be accepted by our other member governments. I do not believe that they would be prepared to go further. As whatever system is agreed upon will have to be implemented before January 1st, 1955, the matter is urgent. I would therefore welcome as soon as possible your ruling as to interpretation of the "rider" and your reactions to the suggestions contained in the memorandum which is attached to this letter.

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[1] Not found in Department of State files.

Sincerely yours,

HUGH GIBSON

[Attachment]

MEMORANDUM ON THE IMPLEMENTATION OF THE CONDITIONS ATTACHED TO THE U.S. CONTRIBUTION TO THE MIGRATION COMMITTEE

(Public Law No. 778)

1. For the reasons set forth in his memorandum of October 6th, 1954 (Memorandum on the U.S. Appropriations Rider attached to U.S. Public Law No. 778) the Director does not believe that the suggestion presented by Mr. Warren in his memorandum of September 17th, 1954, is in accordance with the provisions of the Brussels Resolution, the Constitution of the Committee, or with the interpretation of the rider as given by the U.S. Congress. Furthermore the implementation of such a plan would meet with extreme difficulties on the part of the member governments and would entail a disproportionate cost to the Committee.

2. Despite the urgency of the matter it is difficult for the Director to give more definite suggestions as to a possible implementation of the condition attached to the U.S. contribution to the Committee until he has received a clear and official ruling from the

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[2] For text, see p. 1648.

[3] For text, see p. 1642.

[4] Reference is to the Mutual Security Appropriations Act for fiscal year 1955, enacted Sept. 3, 1954; for text, see 68 Stat. 1219.

Secretary of State as requested in the memorandum of October 6th. Pending the receipt of the above-mentioned ruling, the Director can only elaborate on the tentative suggestions made in paragraphs 8 and 9 of his memorandum of October 6th 1954.

3. The governments members of the Committee are certainly most anxious to prevent the infiltration of subversive elements into the Western Hemisphere. It should therefore be possible to establish—in those cases where it does not yet exist—a satisfactory screening system which would be in the interest and for the benefit of the countries concerned. At the same time nothing should be done which would infringe upon the sovereignty of the countries: the *final* responsibility for the choice of the migrants—and thereby for the elimination of undesirable persons—must rest with the governments and their services and not with the Committee and its administration. The Committee can only offer its assistance to the extent it is desired by each member government.

4. There are two methods by which undesirable persons can be prevented from entering into the Western Hemisphere:

a) by a decision of the government of the emigration country preventing the person from departing (e.g. not issuing the passport).

b) by a decision of the government of the immigration country which can deny the person the right of entry (refusal of visa).

5. In one emigration country—Greece—there appears to be a sound screening system enabling the Greek authorities to prevent the departure of communists or other undesirable persons. The Director believes that this screening, which is efficient and apparently done in liaison with established screening agencies of other countries, including the U.S., should meet the requirements of the U.S. rider for all migrants leaving Greece.

This method is probably the most satisfactory and the Director is prepared to explore whether it could be extended to other emigration countries.

6. When the actual exclusion of undesirable migrants by the sending country is not possible, the decision will have to be taken by the authorities of the receiving country on the basis of information which, in many cases, will be furnished by the authorities of the emigration countries. All countries in the Western Hemisphere have adequate legislative bases to deny entrance to subversive persons (see attachments to the memorandum of October 6th). Besides the U.S., one immigration country of the Western Hemisphere—Canada—has a security and screening system which appears to be satisfactorily implementing the provisions of the national laws and regulations concerning this matter. The other immigration countries have not yet been able to do so entirely. The Director believes

that in their own interest as well as in the interest of the community of Western Hemisphere nations, they might welcome assistance from the Committee and other governments in order to set up their own security and screening systems. Such systems could normally work in close liaison with the competent U.S. authorities and there could probably be a constant exchange of information between the security officers of the different countries.

7. For those few immigration countries which, for any reason may find themselves unable to set up a screening system of their own, the Committee would be ready to offer the screening services of its own officials who could communicate to the governments of these countries information on the political reliability of prospective immigrants. The Committee would appoint security officers in the missions where there would be a need for them; they would obtain, by agreement, all the relevant information from the local authorities and from the security services of other member governments (Canada, U.S.A., Australia, etc.) and pass on the final results of the investigation to the consular or immigration authorities of the countries concerned.

8. If the general lines of these suggestions are acceptable, the Director would propose following course of action:

A. As soon as the official ruling of the Secretary of State, together with an agreement on the proposal contained in this memorandum, is received, the Director will communicate with the governments of immigration countries which have not yet been able to set up a satisfactory screening procedure. The communication will indicate the apparent need for a tighter security screening of migrants going to the Western Hemisphere and this in the interest of the governments concerned; it will suggest that the immigration countries set up *immediately* their own screening system in the various emigration countries of Europe, except perhaps, in those emigration countries where there is already an adequate control by the local authorities (Greece); it will offer the services of the Committee to help them in establishing such systems by, in particular, bringing them into contact with the already existing services of other countries; it will finally suggest that the delegations to the 8th Session come prepared to discuss in an *informal* and *private* meeting the whole matter and the implementation of the abovementioned plan.

B. At the same time the Director will explore with the governments of emigration countries whether they would be prepared either to do the screening themselves as in the case of Greece, or at least assist the authorities of the immigration countries by furnishing them with all relevant information concerning prospective migrants.

C. The whole matter would be discussed during the 8th Session at an informal and private meeting with the interested delegations, the U.S. delegation and the Director. It should, if possible, be avoided to have a public discussion or even a discussion in plenary.

D. As soon as general agreement had been reached, the Committee would appoint in each of its main missions in Europe a security officer (with a small staff) who would have the triple function of

—helping, whenever needed, the security officers of the interested countries to establish all the necessary contacts.
—gathering directly all the necessary information and giving it to the consular authorities, in those cases where the immigration countries were unable to set up a screening system of their own.
—following the implementation of the whole scheme and reporting thereon to the Director.

E. The scheme would be implemented before January 1st, 1955.

9. The Director must once more stress the urgency of the matter. He would welcome as soon as possible an answer from the Secretary of State which would enable him to take appropriate action in time.

398.18 ICEM/10-2954

The Secretary of State to the Director of the Intergovernmental Committee for European Migration (Gibson) [1]

[WASHINGTON,] November 16, 1954.

DEAR HUGH: The Department's reply to your letters [2] on the appropriation rider is going forward to you.[3] The rider forbids the payment of United States funds to assist directly in the movement of migrants to the Western Hemisphere who lack a security clearance based on reasonable standards.

Although the basic purpose of the limiting condition on the contribution is to insure against Communist infiltration in the Western Hemisphere, Congress did not intend to impose standards of selection on other governments. The requirement applies to movements assisted by United States funds. In the absence of reasonably effective clearances by the concerned governments, it appears that the Migration Committee will have to supply them to qualify for the full amount of the United States contribution.

I assume from your letters that the Migration Committee will proceed immediately to work out methods of securing the necessary clearances. I have asked the members of the U. S. Delegation to consult with you concerning these methods at the next session of the Committee in Geneva. The Department, however, has only a limited area of discretion under the legislation and will of necessity have to determine whether the condition has been fulfilled when making payments on the contribution during 1955. Within the limitations imposed, the Department will assist you in every manner to enable the Committee to qualify for the full amount of the contribution.

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[1] Drafted by Warren on Nov. 8, 1954, and cleared with McLeod.
[2] Reference is to Gibson's letters of Oct. 6 and 29, 1954, pp. 1642 and 1650.
[3] This letter, also dated Nov. 16, 1954, is in file 398.18 ICEM/10-2954.

Sincerely yours,

FOSTER

UNITED STATES POLICY REGARDING THE LAW OF THE SEA[1]

711.022/1-2252

The Secretary of State to the Attorney General (McGrath)

WASHINGTON, February 12, 1952.

MY DEAR MR. ATTORNEY GENERAL: Reference is made to your letter of January 22, 1952[2] inquiring whether, in the light of the decision of the International Court of Justice in the Fisheries Case (*United Kingdom* v. *Norway*) in date of December 18, 1951,[3] the Department adheres to the statement of position given at your request on November 13, 1951[4] with respect to the principles or criteria governing the delimitation of the territorial waters of the United States.

The Department noted the holding of the Court that the Norwegian Government in fixing the base lines for the delimitation of Norwegian fisheries by applying the straight base line method had not violated international law, especially in view of the peculiar geography of the Norwegian coast and of the consolidation of this method by a constant and sufficiently long practice.

The decision of the Court, however, does not indicate, nor does it suggest, that other methods of delimitation of territorial waters such as that adopted by the United States are not equally valid in international law. The selection of base lines, the Court pointed out, is determined on the one hand by the will of the coastal state which is in the best position to appraise the local conditions dictating such selection, and on the other hand by international law which provides certain criteria to be taken into account such as the criteria that the drawing of base lines must not depart to any appreciable extent from the general direction of the coast, that the inclusion within those lines of sea areas surrounded or divided by land formations depends on whether such sea areas are sufficiently closely linked to the land domain to be subject to the regime of internal waters, and that economic interests should not be overlooked, the reality and importance of which are clearly evidenced by long usage.[5]

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[1] For previous documentation on this subject, see *Foreign Relations*, 1951, vol. I, pp. 1685 ff.

[2] Not printed. (711.022/1-2252)

[3] For the text of this judgment, see International Court of Justice, *Reports of Judgements, Advisory Opinions and Orders, 1951* (Leyden, A. W. Sijthoff's Publishing Company, n.d.), p. 116.

[4] *Foreign Relations*, 1950, vol. I, p. 885.

In the view of the Department, the decision of the International Court of Justice in the Fisheries Case does not require the United States to change its previous position with respect to the delimitation of its territorial waters. It is true that some of the principles on which this United States position has been traditionally predicated have been deemed by the Court not to have acquired the authority of a general rule of international law. Among these are the principle that the base line follows the sinuosities of the coast and the principle that in the case of bays no more than 10 miles wide, the base line is a straight line across their opening. These principles, however, are not in conflict with the criteria set forth in the decision of the International Court of Justice. The decision, moreover, leaves the choice of the method of delimitation applicable under such criteria to the national state. The Department, accordingly, adheres to its statement of the position of the United States with respect to delimitation of its territorial waters in date of November 13, 1951.[6]

Sincerely yours,

DEAN ACHESON

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[5] For a fuller discussion of the Anglo-Norwegian fisheries case, see Marjorie Whiteman (ed.), *Digest of International Law* (15 vols.; Washington, 1963–1973), vol. 4, pp. 153 ff.

[6] In a memorandum of Feb. 11 to the Secretary of State, transmitting this letter for the Secretary's signature, the Legal Adviser, Fisher, stated in part: "L, with the concurrence of U/FW and OIR/GE, believes that the Department should adhere to the position expressed in the letter of November 13[, 1951]. The reasons for this view have been outlined in the briefing paper prepared for your meeting with Representative [Samuel W.] Yorty and Senator [Russell B.] Long on February 4, 1952 (Tab D). This briefing paper recommended in particular that, despite the objections of Representative Yorty and Senator Long, you sign this letter to the Attorney General advising him that the Department adheres to its former position. Since that meeting, in addition, further consultations have been had with the Department of Defense upon which Representative Yorty has also urged a change of the official position of the United States with respect to the method of delimitation of its territorial waters. The Department of Defense, it is believed, will inform Representative Yorty that it does not see any necessity for such a change of position." (711.022/1-2252) The briefing paper was not found attached to the source text.

711.022/3-2852

The Deputy Under Secretary of State (Matthews) to the Secretary of Defense (Lovett)

CONFIDENTIAL WASHINGTON, March 28, 1952.

DEAR MR. SECRETARY: The Department of State would like to receive the views of the Department of Defense regarding waters adjacent to the shores of other countries, and the superjacent airspace, in which it is important that the rights of navigation of United States surface vessels and aircraft be unchallenged by the coastal nations. It has been intimated that some studies of these problems may have been made by the Maritime Administration or by the Civil Aeronautics Authority, or elsewhere in the Department of Commerce.

There is enclosed a copy of H.J. Resolution No. 373, which was introduced by Representative Samuel W. Yorty of California on February 11, 1952.[1] It will be noted that the resolution, as now drafted, would provide that "the United States declares its exclusive right and jurisdiction, as against all other nations, with respect to all inland or internal waters within boundaries established as far seaward along the coasts of the continental United States (including Alaska) as is permissible under the rules of international law set forth in the judgment rendered by the International Court of Justice in the Anglo-Norwegian Fisheries Case on December 18, 1951." Representative Yorty's remarks relating to the bill (which may be found in the *Congressional Record*, February 11, 1952, at pages 981–983) make it clear that he would claim as inland waters the waters "between the mainland and the offshore islands which are part of the State of California"; thus islands from 11 to 21 nautical miles from the mainland would be joined from the outer limits of which the territorial sea of the United States would be measured.

The United States, however, has constantly maintained a claim to the territorial sea three nautical miles in width, drawn around individual islands wherever found. It has been felt that the interests of the United States are met in that general three-mile rule, supplemented by Proclamation No. 2667, issued September 28, 1945,[2] claiming the ". . .[3] natural resources of the subsoil and sea bed of the continental shelf beneath the high seas but contiguous to the coasts of the United States"; by Proclamation No. 2668 of the same date proclaiming the policy of the United States with respect to coastal fisheries in certain areas of the high seas; and in Executive Orders Nos. 9633 and 9634, also dated September 28, 1945. The texts of all of the above-named proclamations and executive orders may be found in the *Federal Register,* October 2, 1945, pp. 12,303 ff.

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[1] Enclosure not found with the source text.

[2] For discussion of this proclamation, see the press release issued by the White House on Sept. 28, 1945, printed in *Foreign Relations*, 1945, vol. II, p. 1528.

[3] Ellipsis in the source text.

Claims to the territorial sea, and in some instances to contiguous zones for special purposes, differ widely among foreign countries. The United States, however, is interested in world-wide trade by both sea and air, and has therefore been unwilling to accept the broader claims of countries with less world-embracing contacts and interest, which would seriously constrict some important areas of high seas and the superjacent airspace in which surface ships and aircraft of the United States, both civil and military, may wish to navigate. For this reason the United States has made reservations to other nations on several occasions in recent years, when they have asserted claims that seemed excessive in relation to the territorial sea or to contiguous zones, and to the overlying airspace.

The varying claims of other countries are set forth in the enclosed reprint of an article entitled "National Claims in Adjacent Seas," from the *Geographical Review*, April 1951. Methods of delimitation of the territorial sea and of any contiguous zones are discussed in the enclosed reprint of an article entitled "Delimitation of Seaward Areas Under National Jurisdiction" from the *American Journal of International Law,* also of April 1951.[4]

Because of the changing situations the Department of State would appreciate receiving a statement of the viewpoint of the Department of Defense as to the benefits and detriments that might result from the extension of the principle of asserting broad claims to the territorial sea and "inland waters" (within bays, etc., and between islands and mainland) along the coasts of various nations. In this connection the Department would appreciate knowing what benefits might be considered as being derived from the extension of the territorial waters of the United States as proposed in H.J. Resolution No. 373. It would also appreciate receiving comments on the detriment that might be suffered by the United States with regard to operations in waters adjacent to the territory of other nations if those nations enacted similar legislation. It would be especially helpful if you will indicate some of the specific water areas of other countries which you deem to be most important in this regard.[5]

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[4] These articles were prepared by S. Whittemore Boggs, the Special Adviser on Geography in the Department of State.

[5] This communication was referred to the Department of the Navy for reply, which was made by Dan A. Kimball, Secretary of the Navy, in a letter of June 22 to the Secretary of State. The reply stated in part that:

Continued

A similar letter is being addressed to the Secretary of Commerce.

Sincerely yours,

H. Freeman Matthews

"No benefits would be obtained by the United States from the extension of its territorial waters as proposed by H.J. Res. 373. From a security standpoint there would be no advantage. . . . Also, as it is well recognized that a special jurisdiction may be asserted over areas of the high seas for specific purposes, such as fishery conservation and exploitation of the resources of the seabed and subsoil of the continental shelf, without extending sovereign waters, there would be no additional economic advantage resulting to the United States. Both from a military and commercial viewpoint, therefore, no benefits not otherwise obtainable would accrue to the United States were H. J. Res. 373 adopted.

"Were the United States to extend its territorial waters as proposed by H. J. Res. 373, other nations could be expected to assert claims to large water areas off their coasts. Many nations have already asserted these claims and those nations could be expected to treat such action by the United States as a recognition of the validity of their own previously asserted claims. Any action by other nations which would restrict the range of warships and commercial vessels and military and commercial aircraft would be clearly disadvantageous to a great maritime power such as the United States. Any action which tends to restrict free navigation of the high seas by recognizing sovereignty over territorial waters in excess of three miles is contrary to United States security interest. At the present stage of international relations adoption of H. J. Res. 373 would, it is believed, serve no useful purpose not realizable by other means and could lead to embarrassing and burdensome consequences to the United States."

The reply stated further that a broad interpretation of the decision in the fisheries case might seriously affect free navigation in such areas as the Aegean Sea, the coast of Sumatra, the seas near the Netherlands East Indies, and the coast of Venezuela. (711.022/6–2252)

641.576/2–2352

The Secretary of State to the Chairman of the House Judiciary Committee (Celler)

Washington, April 23, 1952.

My Dear Mr. Celler: Reference is made to your letters to the Department of February 22 and February 23, 1952[1] concerning Joint Resolution 373 which was introduced in the House of Representatives by Mr. Yorty on February 11. The purpose of the Resolution is to declare the boundaries of the inland or internal waters of the United States to be as far seaward as is permissible under international law, and to provide for a survey of such boundaries to be made by the United States Coast and Geodetic Survey in the light of the Anglo-Norwegian Fisheries Case. You request the comments of the Department in the matter.

Two major questions are raised by the Resolution. The first concerns the proper interpretation of the decision of the International

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[1] Neither printed.

Court of Justice of December 18, 1951 in the Fisheries Case (*United Kingdom* v. *Norway*). The second concerns the policy which it is in the best interest of the United States to pursue as a result of this decision.

The Resolution relies on the decision of the International Court of Justice in the Fisheries Case to declare that the seaward boundaries of inland or internal waters of the United States shall be a series of straight lines running between headlands of all indentations on the mainland and, where there are off-lying islands, rocks, or reefs, a series of straight lines running around the outer edges of the farthest off-lying islands, rocks and reefs. The Resolution asserts that in establishing such boundaries the United States would be acting in conformity with the principles of international law which control the Fisheries Case. The Department does not agree with this contention.

The Fisheries Case concerned the method of determination of the base line, or seaward limit of inland waters from which Norway measured its territorial waters and thus its fisheries zones. The issue was whether the base line selected by Norway and the method employed in the drawing of this line were in accord with international law. The reasoning through which the Court reached a conclusion favorable to Norway involved essentially three points. The first point was that the straight line method was not, as such, an exceptional system of determination of the base line since there were various methods available. The second point was that the delimitation of the base line must conform to certain basic criteria in order to be deemed valid in international law. Since it is the land which confers upon the coastal state a right to the waters off its coast, the Court stated, the drawing of base lines must not depart to any appreciable extent from the general direction of the coast and the inclusion within these lines of sea areas surrounded or divided by land formations depends on whether such areas are sufficiently closely linked to the land domain to be subject to the regime of internal waters. In addition, the Court indicated, certain economic interests peculiar to a region should not be overlooked, the reality and importance of which are clearly evidenced by a long usage. The third point was that the selection of the straight line method and its application were, in the case of Norway, conformed to these criteria and thus were not contrary to international law.

The latter point deserves particular attention since it deals with the factors to which the Court attached significance in reaching its conclusion. From the beginning of its opinion the Court emphasized the distinctive configuration of the Norwegian coast, the presence of insular formations, designated as *skjaergaard*, which were in truth but an extension of the mainland, and the necessity of taking these insular formations into account when drawing the base line since they constituted a whole with the mainland. On the basis of these considerations, the Court found that the principle underlying the drawing of the base line was inspired by the geographical characteristics of the Norwegian coast. The Court also found that, under the Norwegian system, the base line had to follow the general direction of the coast. Being satisfied with respect to these criteria, the Court turned to the inquiry whether the system was consistently and notoriously applied by Norway and whether there had been objections from other states to this application of the straight line method. The Court found in favor of Norway on this issue and summarized its findings at that stage thus:

> ". . . the method of straight lines, established in the Norwegian system, was imposed by the peculiar geography of the Norwegian coast; . . . even before the dispute arose, this method had been consolidated by a constant and sufficiently long practice, in the face of which the attitude of governments bears witness to the fact that they did not consider it to be contrary to international law."[2] (p. 139)

The Court did not stop there, but proceeded to examine the question whether the specific lines involved were in fact consistent with the principles on the basis of which they were purportedly drawn. The Court reached thereupon the final conclusion that neither the method nor the base lines actually drawn in application of the method were contrary to international law.

The decision does not hold, therefore, that a state would necessarily be acting in conformity with international law if it arbitrarily selected the straight line method and applied it to the determination of its base line in the manner suggested in the draft Resolution. It is not permissible, accordingly, under the terms of the decision, for a state such as the United States to redefine its base line on the basis of the straight line method unless the selection of the method and its application to the coasts of the United States are justified on the basis of all relevant considerations, geographical, historical and otherwise.

Important considerations of policy are at stake, in addition, in the issue which is raised by the Resolution. To discuss the implications of the Fisheries Case solely in terms of seaward boundaries of inland waters is technically correct, but of necessity somewhat deceptive. The significance of the determination of the seaward limit of inland waters is threefold: the waters included within the limit are in all respects assimilated to the land territory of the coastal state and thus subject to its absolute control; the limit is at the same time the base line whence the belt of territorial waters is measured in which the state exercises complete control, in particular over fisheries, but subject to the right of innocent passage; beyond the limit of territorial waters lie the contiguous zones in which coastal states frequently exercise control for certain purposes, such as customs enforcement. To hold that the Fisheries Case permits the arbitrary adoption by a state of a straight line method which runs the base line to the farthest off-lying islands, rocks and reefs is, therefore, to hold that a state may transform large areas of waters heretofore regarded as high seas into areas assimilated for all intents and purposes to its land territory, establish its belt of territorial waters many miles out at sea, and exercise some form of control in contiguous zones extending beyond this belt. To support such a construction of the decision of the Court is to invite, therefore, considerable restrictions upon the principle of the freedom of the seas which the United States has traditionally supported.

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[2] Ellipsis in the source text.

In the circumstances, the national interests of the United States might not be furthered by the proposed Resolution but might indeed be jeopardized thereby. The risk that other nations might seize upon the precedent which would be afforded to them by the United States if the Resolution became law is not illusory. This Government has had occasion in recent years to protest in several instances claims made by a number of nations with a view to extending their territorial waters anywhere from 12 to 200 miles. Even then, these nations did not have the benefit of so persuasive a reason as would result from the combination of an International Court of Justice decision and a United States construction of that decision. Moreover, the obvious interests of nations which are not, like the United States, strong maritime powers are more likely to be served by an extension of their control over their adjacent waters at the expense of the principle of freedom of the seas, whereas the interests of the United States would seem to lie the other way, whether they concerned fishing, commercial shipping and flying, or naval and air activities in time of peace and of war.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report and that enactment of the proposed legislation would not be in accord with the program of the President.[3]

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[3] H.J. Res. 373 was sent to the House Judiciary Committee on Feb. 11, 1952. On May 26, Chairman Emanuel Celler asked the Speaker of the House, Sam Rayburn, for unanimous consent that his Committee be discharged from further consideration of the resolution. There was no objection.

Continued

Sincerely yours,

For the Secretary of State:
JACK K. MCFALL
Assistant Secretary

On May 29, 1952, President Truman vetoed Senate Joint Resolution 20 concerning title to offshore lands. His veto message stated that the lands in question were those under the open sea off the Pacific, Gulf, and Atlantic coasts and that under the terms of the resolution title to these areas would be transferred to the States that happened to border on them. The text of the President's veto message is printed in *Public Papers of the Presidents of the United States: Harry S. Truman, 1952-1953* (Washington, 1966), p. 379.

Editorial Note

The General Assembly, on November 21, 1947, created the International Law Commission, and designated its members on November 3, 1948. The Commission was charged, among other responsibilities, with developing and codifying international law in connection with the "regime of the high seas" and the "regime of territorial waters". In these endeavors, its work was reviewed by the Sixth Committee, the Legal Committee of the Assembly.

The Commission's first session took place from April 12 to June 9, 1949. From this session on, it considered such subjects as territorial waters, contiguous zones, the continental shelf and its superjacent waters, nationality of ships, collision and other aspects of safety of life at sea, and fisheries. It framed various proposals, including draft articles, which the General Assembly considered but failed to accept on the ground that it would not deal piecemeal with any single aspect of the regime of the high seas or the regime of territorial waters until all the problems involved had been studied by the Commission and reported upon by it to the Assembly. (Resolution 798 (VIII), adopted December 7, 1953; for text, see United Nations, *Official Records of the General Assembly, Resolutions Adopted by the General Assembly at Its Eighth Session during the Period from 15 September to 9 December 1953*, page 51)

The United Nations, in 1956, commenced publication of the summary records of the Commission's records from its inception and of various of its basic documents, in the form of *Yearbooks of the International Law Commission*. For the years 1950 to 1954, the yearbooks were released in two volumes for each annual session, one for the summary records of meetings and the second for the documents, including the Commission's report to the General Assembly. For the year 1949, the summary records and documents were published in a single volume. The yearbooks will hereinafter be identified as *ILC Yearbook,* with the year and appropriate volume number.

In addition, the United Nations has prepared summaries of the activities of the Commission in the fields of the high seas and territorial waters in its *Yearbook of the United Nations*, 1948–1949, page 951; 1950, page 863; 1951, page 845; 1952, page 795; 1953, page 676; and 1954, page 412, each ff.

320.22/4-2952

The Secretary of State to the British Ambassador (Franks)

CONFIDENTIAL

The Secretary of State presents his compliments to His Excellency the British Ambassador and has the honor to refer to his note No. 175 of April 29, 1952,[1] enclosing a draft of the United Kingdom's reply to the request of the United Nations Secretariat for comments on the draft articles on the Continental Shelf and Related Subjects prepared by the International Law Commission.[2]

There is enclosed the proposed reply of the Government of the United States on this subject. It will be noted therefrom that the Government of the United States is not prepared at this time to submit comments on Part II, Related Subjects, but will endeavor to submit them to the Commission at a later date. Whether this will be possible before the Commission meets in June the Department of State is unable to state at this time. In any event, the comments of the Government of the United States on Part II will be made available to the British Government.

It will be further noted from the proposed reply that the Government of the United States is in general agreement with the draft of the Commission on Part I, Continental Shelf, and that its views are not substantially different from those of the British Government on Articles 3, 4, 5, 6 and 7. With respect to Article 1, the Government of the United States observes that it is not inconsistent with the President's Proclamation of September 28, 1945 under the terms of which the exploitation of the natural resources of the Continental Shelf is not limited by the depth of the superjacent waters. The Government of the United States is not entirely convinced by the comments of the British Government in support of its proposal to amend Article 1 to permit the exploitation of the continental shelf only "as far as the hundred fathom line".

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[1] Not printed; it stated that the British Government was generally satisfied with the terms of the draft articles. (320.22/4-2952)

[2] The reference Draft Articles are printed as part of the Report of the International Law Commission to the General Assembly concerning the work of its third session in *ILC Yearbook*, 1951, vol. II, p. 141. These articles were drafted after presentation of the Second Report on the High Seas (A/CN.4/42) submitted by Professor J. P. A. François of the Netherlands, *Rapporteur Spécial* of the Commission, on Apr. 10, 1951. Chapter 11 of the Second Report dealt with the Continental Shelf. For the text of the report in French, see *ibid.*, p. 75. The Commission discussed Chapter 11 at its meetings from June 28 to July 4 and again on July 12, 1951; for additional information, see *ibid.*, vol. I, pp. 267–301 and 346.

In so far as Article 2 is concerned, the formulation "control and jurisdiction" is the same as that used in the President's Proclamation and is, therefore, unobjectionable to the Government of the United States. This does not necessarily mean, however, that the United States would object to the application of the concept of "sovereignty" to the continental shelf should such application have general approbation.

It should be pointed out further with respect to the proposed comments of the Government of the United States that they are made with a view to furthering the work of the Commission and do not necessarily represent a final position, although it is unlikely that they will be modified generally.

WASHINGTON, [May 16, 1952.]

[Enclosure]

Draft Reply by the United States Government to the United Nations

The Government of the United States refers to the request of the International Law Commission for comments on the Draft Articles on The Continental Shelf and Related Subjects.

It is the understanding of this Government that the purpose of these comments is to facilitate reconsideration of the draft by the Commission prior to the preparation of a final document. For this purpose, the Government of the United States is in general agreement with the principles which appear to inspire the draft articles of Part I, Continental Shelf, but has the following suggestions to make.

This Government is under the impression that the draft articles in Part I, Continental Shelf intend to establish in favor of the coastal state an exclusive right to the exploration of the continental shelf and the exploitation of its resources. This Government wonders, accordingly, whether it would not be advisable to make it clear, at least in the commentaries, that control and jurisdiction for the purpose indicated in the draft articles mean in fact an exclusive, but functional, right to explore and exploit. It is also the view of this Government that Article 5 does not carry out precisely enough its purpose which, as stated in the commentary, is to bar the coastal state from excluding the laying or maintenance of submarine cables. As it stands, Article 5 appears to imply that the coastal state may do so if the measures resulting in such exclusion are reasonable. The matter, it is believed, deserves clarification.

In addition, this Government does not believe that it is advisable to limit the scope of judicial arbitration by defining it as arbitration *ex acquo et bono*, as suggested in the commentary to Article 7.

The Government of the United States is not prepared to submit comments at this time on Part II, Related Subjects, and will endeavor to communicate them to the Commission at a later date.

Editorial Note

For an account of the policy of the United States on fisheries and territorial waters by William C. Herrington, Special Assistant for Fisheries and Wildlife, to the Under Secretary of State, see Department of State *Bulletin*, June 30, 1952, pages 1021–1023.

Editorial Note

The Staff Assistant to the Director of the Joint Staff, in the Office of the Joint Chiefs of Staff, Captain H. A. Kncertzler (U.S. Navy), in a memorandum dated February 25, 1955, furnished to the Department of State "extracts from a decision by the Joint Chiefs of Staff on 27 September, 1952" regarding the United States position on a three-mile limit, which read as follows:

"a. 'the traditional U.S. position on the three-mile limit for territorial waters should not be modified'

"b. 'if it becomes practice for United States ships and planes to avoid areas closer than twelve miles to a foreign coast, we are making International Law in conflict with an established position of the United States. In every United States governmental position recorded in connection with territorial waters since 1794, the United States has recognized the three-mile limit.' " (711.022/2-2555)

The full text of the decision was not found in Department of State or Department of Defense files.

641.576/9-1552

The Department of State to the British Embassy

CONFIDENTIAL

AIDE-MÉMOIRE

Reference is made to the *Aide-Mémoire* of the British Embassy dated September 15, 1952,[1] regarding territorial waters. The Embassy inquires whether the United States Government is considering a modification of its traditional position concerning the delimitation of territorial waters in the light of the decision of the International Court of Justice in the Fisheries case, and whether the United States Government has considered in this connection the interim Report of the International Law Commission of April 4, 1952,[2] regarding both the delimitation of territorial waters and their breadth.

When the issue was raised in the last Congress by the introduction of a bill proposing to redefine the limits of the territorial waters of the United States by application of the base line method sanctioned in the Fisheries case, the Department adopted the preliminary position that the decision in the Fisheries case did not require modification of its traditional policy. The position of the Department on that occasion was made known to Sir Eric Beckett, Legal Adviser to the Foreign Office, in a letter dated April 22, 1952.[3] Anticipating the introduction in the next session of Congress of a similar bill, the Department is endeavoring to work out with the appropriate executive agencies a more definite position. It is the Department's present thinking that efforts should be made to restrict the applicability of the decision in the Fisheries case to situations comparable to those existing in Norway on which the decision was based. The final position of the United States Government must await the outcome of the issue when it arises in Congress.

The Department is aware of the interdependence of the problems of the delimitation of territorial waters and the measurement of their breadth, as well as of the relevance of other questions such as contiguous zones. In this respect it realizes that the work of the International Law Commission and the submission of its various reports for comments by interested states will make it necessary for this Government to formulate in the near future a comprehensive position in the matter of territorial waters. The Department believes in maintaining in this matter a general policy of opposition to encroachments on the high seas. But no agreement has yet been reached within the Government with respect to the actions or procedures likely to make this policy the most effective.

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[1] Not printed.

[2] See *ILC Yearbook*, 1952, vol. II, p. 25.

[3] Not printed. (641.576/2-1352)

The Department agrees that the whole question of territorial waters deserves urgent consideration, and regrets that it is not in a position at this time to avail itself of the opportunity offered by the British Government to express its full views in the matter. The Department, however, is initiating a program of active consideration of all the relevant phases of the problem and hopes to reach in the near future conclusions concrete enough to propose to the British Government an informal exchange of views on the subject. The Department is particularly aware of the problems which may arise should wide support be given to the base line method of delimitation of territorial waters and to the urgent need of taking such steps as may be practicable to forestall or render ineffective such action as that of Iceland. In this connection the Department notes with satisfaction that the British Government is not applying the base line method to its coasts pending an exploration of the whole matter with the United States.

WASHINGTON, October 10, 1952.

Editorial Note

The International Convention for the Safety of Life at Sea came into force on November 19, 1952. The Convention had been adopted at a conference held at London in 1948 and ratified by the United States on December 16, 1949. It provided for safety standards in ship construction, fire protection, lifesaving appliances, radio equipment, and the handling of dangerous cargoes. For the Department's press releases concerning the Convention, see Department of State *Bulletin*, September 22, 1952, page 464, and December 29, 1952, page 1024. For President Truman's Executive Order 10402, giving effect to the Convention, see *ibid.*, December 1, 1952, page 865.

711.022/1-2853

The Secretary of State to the Chairman of the Senate Committee on Interior and Insular Affairs (Butler)

WASHINGTON, March 4, 1953.

MY DEAR SENATOR BUTLER: Reference is made to your letter of January 28, 1953, receipt of which was acknowledged January 30, 1953,[1] transmitting for the comment of the Department of State S.J. Res. 13, "To confirm and establish the titles of the States to lands beneath navigable waters within State boundaries and to the natural resources within such lands and waters, and to provide for the use and control of said land and resources".

The interest of the Department in the proposed legislation is limited to the bearing which it may have upon the international relations of the United States.

With respect to claims of states in the seas adjacent to their coasts, the general policy of the United States is to support the principle of freedom of the seas. Such freedom is essential to its national interests. It is a time-honored principle of its concept of defense that the greater the freedom and range of its warships and aircraft, the better protected are its security interests. It is axiomatic of its commercial interests that the maintenance of free lanes and air routes is vital to the preeminence of its shipping tonnage and air transport. And it is becoming evident that its fishing interests depend in part, and may come more so to depend in the future, upon fishing resources in seas adjacent to the coasts of foreign states.

Pursuant to its policy of freedom of the seas, this Government has always supported the concept that the sovereignty of coastal States in seas adjacent to their coasts (as well as the lands beneath such waters and the air space above them) was limited to a belt of waters of 3 miles width, and has vigorously objected to claims of other states to broader limits. In the circumstances, the Department is much concerned with the provisions of S. J. Res. 13 which would permit the extension of the seaward boundaries of certain states of the United States beyond the three-mile limit traditionally asserted by the United States in its international relations. Such an extension of boundaries would compel this Government, now committed to the defense of the three-mile limit in the interest of the nation as a whole, to modify this national policy in order to support the special claims of certain States of the Union, for obviously, the territorial claims of the States cannot exceed[2] those of the Nation. Likewise, if this Government were to abandon its position on the three-mile limit it would perforce abandon any ground for protest against claims of foreign states to greater breadths of territorial waters. Such a result would be unfortunate at a time when a substantial number of foreign states exhibit a clear propensity to break down the restraints imposed by the principle of freedom of the seas by seeking extensions of their sovereignty over considerable areas of their adjacent seas. A change of position regarding the three-mile limit on the part of this Government is very likely, as past experience in related fields establishes, to be seized upon by other states as justification or excuse for broader and even extravagant claims over their adjacent seas. Hence a realistic appraisal of the situation would seem to indicate that this Government should adhere to the three-mile limit until such time as it is determined that the interests of the nation as a whole would be better served by a change or modification of policy.

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[1] The Senator's letter and the Department's acknowledgment are not printed. (711.022/1-2853) A similar letter was sent to Senator Henry M. Jackson (D.-Wash.) on Mar. 6. (711.022/2-1253)

[2] The words "are limited by" appeared at this point in the letter as originally drafted. An unidentified officer of the Department deleted the three words and replaced them with "cannot exceed".

It should be noted, moreover, that the interest of the United States in resources in the high seas has in no wise been affected by its adherence to the three-mile limit of territorial waters. The claim of the United States in the President's Proclamation of September 28, 1945 to jurisdiction and control of the natural resources of the subsoil and sea bed of the continental shelf beyond the limit of its territorial waters has not been questioned. These resources were thus secured without recourse to an extension of its territorial waters and as a result, navigation in the high seas off its coasts remains free and unimpeded as befits this country's dedication to the principle of freedom of the seas and in sharp contrast to the actions of some foreign states which sought the same result by assertions of sovereignty over immense areas of the high seas.

It is the view of the Department, therefore, that the proposed legislation should not support claims of the States to seaward boundaries in excess of those traditionally claimed by the Nation, i.e., three miles from the low water mark on the coast. This is without reference to the question whether coastal States have, or should have, rights in the subsoil and sea bed beyond the limits of territorial waters.

In Section 2 of the S.J. Res. 13, page 3, lines 3 to 5, inland waters are defined as including "all estuaries, ports, harbors, bays, channels, straits, historic bays, and sounds, and all other bodies of water which join the open sea". This definition appears to be too broad. With respect to bays and estuaries, the United States has traditionally taken the position that the waters of estuaries and bays are inland waters only if their opening is no more than 10 miles wide, or, where such opening exceeds 10 miles, at the first point where it does not exceed 10 miles. With respect to a strait which is only a channel of communication to an inland body of water, the United States has taken the position that the rules governing bays should apply. So far as concerns a strait connecting two seas having the character of high seas, whether the coasts of the strait belong to a single State or to two or more States, the United States has always adhered to the well-established principle of international law that passage should be free in such a strait and hence has maintained that its waters, even though it be six miles wide or less, cannot be inland waters. With respect to both bays and straits, of course, the United States has excepted the cases where, by historical usage, such waters are shown to have been traditionally subjected to the exclusive authority of the coastal State.

The purpose of this Government in adopting such a definition of inland waters was to give effectiveness to its policy of freedom of the seas. The broader the definition of inland waters, the more the seaward limit of inland waters is brought forward from the coast. And since the seaward limit of inland waters is the base line whence the belt of territorial waters is measured, this by cumulative effect brings forward the outer limits of territorial waters. Of late, efforts have been made by some foreign states to broaden the definition of their inland waters and to gain control thereby of large areas of the seas adjacent to their coasts. This Government has opposed and continues to oppose such developments, but any indication on its part of a change of position, such as may be suggested by the broad definition of inland waters now present in the proposed legislation, may well encourage the growth of a dangerous trend. Hence, in the view of the Department, it would be advisable to amend Section 2 of the proposed legislation, page 3, lines 3 to 5, as follows:

> ". . . limit of inland waters in estuaries, ports, harbors, bays, channels, straits, sounds and all other bodies of waters which join the open sea."[3]

The Department has been informed by the Bureau of the Budget that there is no objection to the submission of this report.[4]

Sincerely yours,

For the Secretary of State:
THRUSTON B. MORTON
Assistant Secretary [for Congressional Relations]

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[3] Ellipsis in the source text.

[4] In further letters dated Mar. 4, 6, and 25, the Secretary of State informed Senator Butler that the Department's position on S. 294, S. 1017, and S. 1252, respectively, had been expressed in its comments on S. J. Res. 13, or were identical with the position it had taken on that resolution. (711.022/1-2853, /2-2053, /3-1053) The Senate passed S. J. Res. 13 as amended and then voted to reconsider the measure. On May 5, 1953, it decided instead to take up the corresponding House bill, H. R. 4198, which was enacted as Public Law 31 on May 22, 1953; see footnote 4, p. 1687.

700.022/3-453

The Deputy Legal Adviser (Tate) to T. Orchard Lisle[1]

WASHINGTON, March 18, 1953.

MY DEAR MR. LISLE: Reference is made to your letter of March 4, 1953, and enclosure,[2] concerning the three-mile limit and related questions, and my testimony on this subject before the Senate Committee on Insular and Interior Affairs.[3]

The United States claims, as it has traditionally claimed since 1793, sovereignty over a belt of three miles of territorial waters off its coasts. Sovereignty is an all-inclusive concept and indicates therefore that the claim extends not only to these waters, but also to the airspace above these waters and the subsoil beneath them, including of course the mineral resources therein.

Beyond the three-mile limit, the United States claims an exclusive right of jurisdiction and control, as against other nations, to the resources of the continental shelf beneath the high seas off its coasts. The United States does not claim sovereignty of the waters of the high seas above the shelf or of the airspace above such waters.

No question of international law arises if claims to the mineral resources of this sea bed are settled as between the States and the Federal Government without extending the boundaries of this nation. The United States, traditionally devoted to the principle of freedom of the seas since it is a naval and maritime power, opposes the claims of foreign nations to sovereignty beyond a three-mile limit. Saudi Arabia for example since 1949 has claimed sovereignty over a belt of territorial waters six miles wide. Other nations claim—not jurisdiction in the resources of the continental shelf as does the United States—but sovereignty over the high seas above the shelf up to distances of 200 miles from shore. If we made similar claims we could not object to extensions of sovereignty beyond the three-mile limit by other nations. Hence the point of my testimony was that disposition of the mineral resources of the sea bed off our coasts should be accomplished within the framework of our traditional position.

Your reference to a 12-mile limit is to United States legislation, enacted as early as 1790, providing for the exercise of jurisdiction within 12 miles from the coast for purposes of customs control. Like the claim to jurisdiction over mineral resources in the continental shelf, it is an example of the compatibility between the

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[1] Editor and publisher of *The Oil Forum*, New York City.

[2] Neither printed. (700.022/3-453)

[3] On Mar. 3, 1953; for text, see Department of State *Bulletin*, Mar. 30, 1953, p. 486.

United States position on the three-mile limit and the protection of its interests beyond such limit. Such interests can be protected without claiming sovereignty over areas of the high seas and thus sacrificing the principle of freedom of the seas.

So far as concerns the drawing of the base line whence the belt of territorial waters is measured, there would be little significance in limiting the territorial waters of coastal states to a narrow belt if the breadth of such belt were to be calculated from a base-line drawn far out at sea. To join, as you suggest, the Florida keys to a point near Brownsville, Texas, would be to deny to foreign vessels rights of navigation and other rights in the Gulf of Mexico. General adoption of this approach would deny similar rights to our vessels and aircraft in other, and often, strategic parts of the world. It is for this reason that the United States has traditionally adhered to the position that this base-line of territorial waters follows the indentations or sinuosities of the coast, and is not drawn from headland to headland, subject to certain exceptions such as bays no wider than ten miles where the line is a straight line drawn across the opening.

Sincerely yours,

JACK B. TATE

700.022/3-1953

Memorandum by the Legal Adviser (Phleger)[1]

CONFIDENTIAL [WASHINGTON,] March 19, 1953.

Subject: Position of the United States concerning National Claims in Adjacent Seas.

The attached paper sets forth a study of the recent trend of the claims asserted by coastal states in adjacent seas and makes recommendations concerning the policy to be followed by this Government in its support of the principle of the freedom of the seas.

A restatement of our policy concerning the drawing of the outer limit of inland waters, the breadth of territorial waters, and rights of jurisdiction which may be asserted in the high seas, is becoming increasingly necessary and urgent. American fishing vessels have been arrested and seized by Ecuador and Mexico in areas of the seas which the United States considers high seas. The United

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[1] This memorandum and its attachment were drafted by Joseph M. Sweeney of Yingling's staff. They were sent to the Bureaus of Near Eastern, South Asian, and African Affairs; Inter-American Affairs; European Affairs; Far Eastern Affairs; various offices within those bureaus; the Bureaus of Economic Affairs and United Nations Affairs; the Office of the Under Secretary of State's Special Assistant for Fisheries and Wildlife; and the Office of the Special Adviser on Geography.

States and Ecuador are scheduled to hold conversations on the problem in the near future. The United Kingdom has suggested informal exchanges of views with this Government for the purpose of working out a common approach and united opposition to the growing trend towards extension of the areas of adjacent seas in which coastal states claim increasingly large forms of control.[3] This Government has already been called upon and will be called upon in the future to present its views and comments on the drafts concerning territorial waters and the high seas prepared by the International Law Commission. It might even be necessary to contemplate in the future the possibility of litigation with certain foreign states on some of these issues. Hence the necessity for reexamining the position of this Government on all phases of the problem.

Your comments and suggestions are requested on an urgent basis, and should be received no later than March 27, 1953, in order to be taken into account in the final redraft of the paper which will be sent to all other interested departments and agencies. Comments and suggestions should be sent to Room 4259 New State or phoned to Extension 5066.

[Attachment]

[WASHINGTON, March 19, 1953.]

NATIONAL CLAIMS IN ADJACENT SEAS

From the 16th to the 18th century, states claimed extensive rights of control over wide areas of the sea contiguous to their land domain in order to insure respect of their territorial sovereignty, to protect commerce entering and leaving their ports, to safeguard their fisheries resources, and to defend themselves from attacks. These claims followed a constant pattern of regression until the advent of the 19th century when the principle of freedom of the seas became firmly established, and the practice prevailed of restricting the area over which coastal states claimed rights of control to a narrow and sharply defined rim of the sea adjacent to their coasts 3 miles in width. Since the beginning of the 20th century, a reverse evolution has taken place and the practice of states has shown a continuous trend towards extension of the areas of the adjacent seas over which various forms of control are claimed. The trend may vary in definiteness depending upon the particular areas concerned, but appears to become more accentuated as time goes on.

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[3] On Mar. 4, 1953, Yingling informed Barbara Salt, First Secretary of the British Embassy, that the United States would be willing to undertake such conversations in London, but not before May 1953. (Memorandum of conversation, Feb. 27, 1953, by Yingling, 700.022/2-753)

Inland Waters. The seaward limit of inland waters is the base line whence the belt of territorial waters is measured. A substantial number of states, including the United States, support the position that this line is the low water mark along the entire coast, and not straight lines drawn between headlands of indentations and sinuosities. Islands off the coast are not taken into account in the drawing of the line unless they are within the belt of territorial waters, but an exception is made in the case of bays, gulfs and estuaries where the line is a straight line often limited to a length of 10 miles, drawn across their opening, in the general direction of the coast. A further exception is made, of course, in the case of historic bays where the base-line is a straight line drawn across their openings, irrespective of the width.

Larger areas of inland waters are secured by the coastal state when the straight line method is applied as a general rule for the determination of the limit between inland waters and territorial waters. Fixed points are selected at the low water mark level on the headlands of all indentations on the mainland and on the outer edge of off-lying islands, rocks and reefs, and are joined together by a series of straight-lines of no fixed length. The areas of adjacent seas enclosed within the lines are inland waters.

The straight-line method was used by Norway as early as 1869. Sweden and apparently Denmark applied it at the beginning of the 20th century. Since 1934 it has been adopted as well by Cuba, Ecuador, Yugoslavia, Saudi Arabia, Egypt and Iceland. The International Court of Justice in the Fisheries Case upheld the legality of the use of the straight-line method by Norway.* Since the Court's decision, Iceland has used the method more extensively and has applied it more liberally, despite the protests of Great Britain that some of the new base lines are too extreme to be in conformity with the decision of the International Court of Justice. In the United States, legislation was introduced in Congress in 1952 with a view to define the limit of the inland waters of the United States by application of the straight-line method and as far seaward as possible under international law.† In the United Kingdom, consideration is being given to using the straight-line method in order to close certain fishing grounds to foreign vessels, especially in Scotland. In Australia legislation was recently introduced (and approved by the lower house) to provide for the drawing of the base-line on the northern coast by application of the straight-line method.

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*Judgment of Dec. 18, 1951, I.C.J. Reports 1951, 116. [Footnote in the source text.]

†Joint Resolution 373, Feb. 11, 1952; see also H.R. 676, June 9, 1952, and H.R. 684, June 11 and 26, 1952. [Footnote in the source text.]

The second Sub-Committee at the 1930 Conference for the Codification of International Law took the position that the low water mark along the entire coast, all points being taken into account, should be the general rule for the drawing of the base line of territorial waters.‡ The "Report on the Regime of the Territorial Sea" submitted to the International Law Commission by its Rapporteur, Professor Francois, on April 4, 1952, maintains the same general principle but provides that where the coast is deeply indented and cut into or where it is bordered by an archipelago, the straight-line method joining appropriate points may be employed.§

Territorial Waters. A statistical computation of the breadths of territorial waters claimed by coastal states from 1930 until the present day reveals a clear trend towards extension of such breadths.||

At the 1930 Conference for the Codification of International Law, the 3 mile limit received the unconditional support of Canada, China, Great Britain, India, Japan, The Netherlands, South Africa and the United States. Greece and Ireland were inclined to support the 3 mile limit. Belgium, Egypt, France, Poland and Germany supported such limit on the condition that the right of the coastal state to exercise certain controls in a zone contiguous to its territorial waters would be recognized. Chile, was willing to support either the 3 mile limit with a contiguous zone or a 6 mile limit. Greece and Egypt now support a 6 mile limit. Chile, according to the information of the International Law Commission, now claims a belt of territorial waters of 50 km, or approximately 27 miles, not to mention the continental shelf declaration of 1947 which refers to its sovereignty over 200 miles of adjacent waters. Poland may be expected to claim a 12 mile limit like other satellites of the U.S.S.R. China cannot reasonably be counted upon at this time as a positive supporter of the 3 mile limit. Ireland now claims a breadth of territorial waters "in accordance with international law". Hence only 10 out of 16 states which gave support to the 3 mile limit at the 1930 Conference could still be counted upon for support of this

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‡League of Nations; Acts of the Conference for the Codification of International Law, III, Territorial waters, C.351(b) M.145(b), 1930, V, 206-207, hereinafter referred to as *Acts of Conference*. [Footnote in the source text.]

§U.N., A/CN.4/53, 21-25. [Footnote in the source text.]

||Sources used in the compilation; *Acts of Conference*, especially 123-126; League of Nations, Bases of Discussion for the Conference for the Codification of International Law, II, Territorial Waters, C. 74 M. 39, 1929, V; Jens Evensen, Etendue des Eaux Territoriales (La Haye 1951); Boggs, National Claims in Adjacent Seas, 41 Geographical Review 185, 192-201 (1951); U.N., A/CN.4/53, 11-15; Telegrams, despatches and other reports from the field. [Footnote in the source text.]

limit. This estimate may even be too optimistic. Canada for instance would probably not be inclined to support the 3 mile limit if such a distance were to be the limit of its exclusive fisheries control.

Among the states which supported a breadth of territorial waters greater than 3 miles at the 1930 Conference for the Codification of International Law, Iceland and Finland supported a 4 mile limit and Norway and Sweden, while also supporting a 4 mile limit, were willing to recognize as legitimate other widths such as 6 miles. The 6 mile limit, with the additional requirement in some cases of a contiguous zone, was supported as well by Brazil, Colombia, Cuba, Italy, Iran, Portugal, Spain, Rumania, Turkey, Uruguay and Yugoslavia. These 15 states could be expected to maintain a similar position—Rumania now claims 12 miles and Yugoslavia apparently 10 miles—and would receive the additional support of states which have clearly abandoned the 3 mile limit such as Greece, Egypt and Chile. If Poland were also included in this group, the same states which divided 16 to 15 in favor of the 3 mile rule at the 1930 Conference could be expected now to support a breadth of territorial waters greater than 3 miles by a proportion of 19 to 10, China and Ireland being left in doubt.

The trend away from the 3 mile rule is still apparent when the statistics are broadened to take into account an overall number of 63 coastal states. The number of states which may be presumed to support the 3 mile limit is brought up to 15 by the addition of Ceylon, Denmark, Dominican Republic, Israel, and Liberia. Australia, New Zealand and Indonesia have been considered in the past as supporters of the 3 mile limit, but there are reports that they would not accept now the 3 mile limit if it were to constitute the limit of their exclusive fisheries jurisdiction, and Venezuela, which up to now also claimed 3 miles, is reported to be considering a new constitutional provision to enlarge its sovereignty in its adjacent seas. The claim of Panama to jurisdiction over fisheries to the edge of the continental shelf, and the claim of the Philippines to the entire Sulu Sea as part of its territorial waters, raise some doubts as to their prospective support of the 3 mile limit. The number of states which are deemed to support a greater breadth of territorial waters increases to 28 with the addition of Lebanon, Syria, U.S.S.R., Bulgaria, Ecuador, Guatemala, Honduras, Mexico, and Saudi Arabia, the support of the 6 states last mentioned having been acquired after 1930. This number can reach 33 if Argentina, Costa Rica, El Salvador, Peru, and South Korea are included on the ground that their recent claims of control over the epicontinental sea were protested by the United States as being in excess of accepted limits of territorial waters. So far as concerns Albania, Burma, Haiti, Iraq, Nicaragua, Pakistan, and Thailand, no definite or otherwise satisfactory information regarding the breadths of their territorial waters was found.

The Report on the Regime of the Territorial Sea submitted to the International Law Commission on April 4, 1952, states that a proposal to fix the breadth of territorial waters at 3 miles would have no chance of success and that agreement on this distance is out of the question. It proposes a breadth of territorial waters which would not exceed 6 miles.[¶]

High Seas. Until the 20th century, very few states claimed rights of control over the high seas contiguous to their territorial waters. At the 1930 Conference for the Codification of International Law the states represented were about evenly divided on the question whether a coastal state could exercise any rights in the high seas, and the conference soon reached a deadlock when the great majority of delegates insisted on qualifying their position on the issue of the breadth of territorial waters with conditions concerning their acceptance or refusal of the contiguous zone concept. States in favor of contiguous zones were further divided on both the width of such zones and the purposes for which they could be recognized.[**] Since that time, claims of control over contiguous zones for customs and fiscal purposes have become, of course, quite general. Their reported widths are seldom over 12 miles, except in the case of Chile where the width claimed is 100 Km, or approximately 54 miles, and in the case of the United States where the width claimed may encompass 62 miles from the coast.[††] The Draft Articles of the International Law Commission on The Continental Shelf and Related Subjects, dated July 30, 1951,[3] propose to limit contiguous zones for customs and fiscal purposes to a width of 12 miles measured from the coast. The Draft Articles also recognize such a contiguous zone for sanitary purposes, although relatively few states have made claims in this respect.[‡‡]

There were strong objections at the 1930 Conference to the claims made by some coastal states to contiguous zones for fisheries purposes, especially as concerned the claims which had for purpose to secure exclusive fishing rights in such zones. Claims having for purpose to enforce in the contiguous zone conservatory regulations were given strong impetus by the United States proclamation of September 28, 1945, for the Establishment of Fisheries Conservation Zones in the high seas contiguous to its coasts.[§§] The proclamation issued by the United States on the same date with regard to Rights in the Sea-Bed and the Sub-Soil of the Continental Shelf set a precedent for the issuance by a number of other states of similar or related types of claims.‖‖ The states involved are, besides the United States, Argentina, Brazil, Chile, Costa Rica, El Salvador, Guatemala, Honduras, Iceland, Iran, South Korea, Mexico, Nicaragua, Pakistan, Panama, Peru, Philippines, and Saudi Arabia. Some states linked their claims in regard to control of fisheries resources with their claims in regard to exploitation of the resources of the continental shelf. Some states went so far as to advance their claims in the form of an over-all claim to sovereignty. The widths of high seas in all those claims, whatever their form and purpose, are of extraordinary proportions, hundreds of miles not being uncommon. The Draft Articles on the Continental Shelf and Related Subjects prepared by the International Law Commission recognize, subject to certain qualifications, the principle that the coastal state may regulate and control fishing in areas of the high seas for the purpose of preserving fishing resources from extermination, and the principle that the coastal state may subject the continental shelf to its control and jurisdiction for the purpose of exploring and exploiting its natural resources.¶¶

[¶] U.N., A/CN.4/53, 11, 16–21. [Footnote in the source text.]

[**] *Acts of Conference,* 210–211. [Footnote in the source text.]

[††] 49 Stat. 517; 19 U.S.C.1701, 1703. [Footnote in the source text.]

[3] See footnote 2, p. 1665.

[‡‡] U.N., A/CN.4/49,4. [Footnote in the source text.]

[§§] 59 Stat. 884–885. [Footnote in the source text.]

The claims of certain states to control over a contiguous zone for security purposes were the object of strong opposition at the 1930 Conference. The Second Report on the Regime of the High Sea presented to the International Law Commission by its *Rapporteur*, Professor Francois, on April 10, 1951,[4] does not consider it necessary to take such claims into consideration.*

Policy of the United States

The general policy of the United States in regard to national claims in adjacent seas is to support the principle of the freedom of the seas. Such freedom is essential to its national interests. It is a time honored principle of its concept of defense that the greater the freedom and range of its warships and aircraft, the better protected are its security interests. It is axiomatic of its commercial interests that the maintenance of free sea lanes and air routes is vital to the preeminence of its shipping tonnage and air transport. And it is becoming evident that its fishing interests depend in part, and may come more so in the future to depend, upon fishing resources in high seas adjacent to the coasts of foreign states. Hence the national interests dictate opposition to the trend towards extension of the areas of adjacent seas in which coastal states claim rights of control.

‖‖59 Stat. 885–886. [Footnote in the source text.]

¶¶U.N., A/CN.4/49. [Footnote in the source text.]

[4] See footnote 2, p. 1665.

*U.N., A/CN.4/42, 50. [Footnote in the source text.]

Inland Waters. When the limit of inland waters is determined by application of the straight-line method, such limit is brought forward from the coast and so by cumulative affect, the outer edges of both territorial waters and contiguous zones. Sea areas immediately in front of the coast which under the sinuosities method would be considered territorial waters become inland waters. Such waters are, for all intent and purposes, assimilated to the land territory of the coastal state and no right of innocent passage may be claimed therein. Sea areas further out from the coast which under the sinuosities method would be regarded as high seas become territorial waters. Such waters, except for a right of innocent passage, and the airspace above these waters, are subject to the sovereignty of the coastal state. The greater the degree of curvature of the coast and the longer the lines joining the salient points, the larger the areas of adjacent seas over which the coastal states acquire absolute or quasi absolute control.

The straight-line method offers alluring possibilities to states desirous of gaining control of large areas of the seas adjacent to their coasts, whether it be used alone or in combination with claims to wide breadths of territorial waters. As used by Norway it has been sanctioned by the International Court of Justice, a fact which, irrespective of the terms of the decision, serves to clothe the method with a reputability it did not previously have. Accordingly, the limited application which it now receives in the practice of states may be expected to develop substantially in the future.

The United States has opposed and should continue to oppose the use of the straight-line method as a general rule for the drawing of the base-line of territorial waters. The success which it may hope to obtain in the matter would be impaired, however, if the United States itself should at the present juncture decide to define the limit of its inland waters by application of the straight-line method, as recently proposed in the Congress. The risk that other states would seize upon such a precedent cannot be ignored. The numerous claims which followed the United States proclamations of 1945 suggest that in taking the initiative in the matter, the United States might again precipitate some sort of uncontrollable chain reaction.

The ultimate failure or success of a policy of opposition to the straight-line method may turn in part upon the construction which will be given in the future to the decision of the International Court of Justice in the Fisheries Case. The Report to the International Law Commission on the Regime of the Territorial Sea of April 4, 1952, proposes that the base line should be established by the straight-line method where a coast is deeply indented and cut into, or where it is bordered by an archipelago. The Report appears to construe the Court's decision as sanctioning the use of the straight-line decision wherever a coast is jagged, or presents some special geographical peculiarities. The United States should retain a flexible position in this matter by reserving its position until it determines what support may exist or can be generated for a restricted construction of the decision among other governments with similar interests. It should be prepared, however, to adhere to any reasonable interpretation of the decision commending substantial support among other states and likely to result in the formulation of fairly definite principles concerning the drawing of the base lines.

Territorial Waters. The last 20 years have witnessed the abandonment of the 3 mile limit by a substatial number of states claiming territorial waters of varying breadths in excess of 3 miles. The steadfast opposition of the United States during the same period has not been effective in preventing such claims. Nevertheless, the United States should not support the 6 mile maximum limit of territorial waters proposed in the Report to the International Law Commission on the Regime of the Territorial Sea. The objective of the proposal—to promote recognition in international law of a definite limit—is sound. However, support by the United States at this time of the 6 mile proposal would not further this objective in a sense favorable to United States interests. Such support would amount to repudiation of the traditional position of the United States on the 3 mile limit and abandonment of the other maritime powers supporting the 3 mile limit whose position would then become untenable. There would then be no real deterrent left in the way of states desirous of expanding their territorial waters. The net result would be that the maritime powers whose interests lie in the direction of a narrow limit of territorial waters would have surrendered their position and moved in the direction of those maritime states claiming extensive limits for territorial waters without any compensating advantage since there is no assurance that such states would find the 6 mile limit acceptable.

Recognition of a contiguous zone of 9 miles for customs, fiscal and sanitary purposes in return for recognition of the 3 mile limit is sometimes suggested as a means of securing agreement on a definite limit of territorial waters. But the numerous states already claiming unlimited rights in a belt broader than 3 miles could hardly be induced to revert to the 3 mile limit by an offer to recognize limited rights outside the 3 mile limit already widely recognized any way. Recognition of an adjacent zone of 9 miles for exclusive fisheries jurisdiction may become the pivotal point of any realistic effort to obtain agreement on a definitive limit of territorial waters. The reported opposition of states like Canada, Australia and New Zealand to the 3 mile limit for exclusive fisheries purposes is evidence in point. Yet the United States could not support such a concept now for very much the same reasons that it could not support the 6 mile proposal.

The United States policy in the circumstances, must be to continue to maintain its traditional position and to oppose claims to territorial waters more than 3 miles in breadth. At the same time, steps should be taken on as urgent a basis as possible to explore with other governments having similar interests what solution would be favorable to such interests.

High Seas. As early as 1790 the U.S. claimed jurisdiction beyond the 3 mile limit for customs purposes. It was also the first state to assert claims in the continental shelf. Its pioneering in the first case led to the development of a moderate and recognized practice. Its pioneering in the second case led to the gravest threats yet directed to the principle of the freedom of the seas.

Explanation for the difference of results must be sought primarily in the difference between the circumstances prevailing in 1790 and thereafter, and those prevailing in 1945. In 1790, the principle of freedom of the seas had just crystallized and thereafter gained, rather than lost, its strength. In 1945, strong forces had been at work since the turn of the century to break down the restraints imposed by the principle of the freedom of the seas, and to increase the scope and extend the range of the powers of control of coastal states over their adjacent seas. Hence the United States proclamations of 1945 provided the catalyst necessary to the release of these forces and its claims were seized upon by other states as justification or excuse for broader claims of control. It is a fast accomplishment not now susceptible of correction, as the ineffectiveness of our protests against these claims well illustrates.

Some other factors may also have been responsible in part for the startling after effects of the proclamations of 1945. The concurrent issuance of the two proclamations was perhaps unfortunate since it tended to confuse their separate and distinct subjects, and may have been responsible for the tendency of some states to treat claims in the shelf and the waters above it as one and the same thing. No rational justification has yet been produced, moreover, for the issuance of the fisheries proclamation. If it only subjects United States nationals to conservatory regulations, and not the nationals of other states unless such other states agree, why then announce by Presidential proclamation what is merely an exercise of normal legislative and treaty functions by the United States? The formality of a proclamation coupled with its timing, may have given, and may still give, rise to suspicion that the proclamation was intended to assert much broader claims than its bare text indicates. For the sake of the record and of our general policy, it might be advisable for the United States to issue a new proclamation definitely dissociating the proclamations of 1945 and clarifying the scope and meaning of the fisheries proclamation.

In the light of the events which followed the proclamations of 1945, the United States should seek to remove or prevent the recurrence of any similar excuse for exaggerated claims to jurisdiction over waters heretofore regarded as high seas. In this connection the continued claim of the United States to a right of jurisdiction in the high seas up to 62 miles from its coasts for customs purposes is an invitation to other countries to make similar or more extensive claims (if 62 miles is proper, why not 80, 100, 200), not to mention the fact that the claim is not in accord with the practice of states. Hence it would seem advisable for the United States to forego the claim and accept the limit of 12 miles measured from the coast proposed in the Draft Articles of the International Law Commission on the Continental Shelf and Related Subjects.

With respect to all claims of control in the high seas, the United States policy of opposition to claims of control which go beyond the scope of its own should be maintained.

Conclusion

The immediate objective of the United States is to arrest, if possible, the present trend towards extension of the claims of coastal states over their adjacent seas.

To this end, the United States should attempt to rally the active support of states which, like itself, have traditionally adhered to the principle of freedom of the seas based on a 3 mile limit of territorial waters.

Informal discussions with the governments of these states should be held to determine the extent to which their overall position accords or differs with our own and the compromises which might be necessary to achieve a uniform position predicated on continuing support of the 3 mile limit.[5]

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[5] Phleger transmitted copies of this paper to the Secretaries of Defense, Treasury, Interior, and Commerce, and to the Attorney General, under cover of letters dated Mar. 31, 1953. These officials replied on various dates between April and July 1953. In general they concurred with the Department of State's position paper, but the Secretaries of Defense and Commerce and the Attorney General expressed reservations or made comments and suggestions regarding the specific wording or emphasis of the paper. These replies are in Department of State file 711.022.

711.022/6-1153

Memorandum of Conversation, by the Deputy Legal Adviser (Tate)

[WASHINGTON,] June 11, 1953.

Subject: Continental Shelf Bill S. 1901

Senator Cordon called me this afternoon and asked me if, from the international viewpoint, it would be permissible to extend the Constitution and laws of the United States to the seabed and subsoil of the continental shelf if the bill made it clear that there was no attempt to extend the applicability of United States law to the super-adjacent waters and air. I told him that it would be permissible to do so.

JACK B. TATE

L/SPF files, lot 68 D 47, "Talks in London (1953)—Territorial Waters"

Record of Anglo-American Discussions on Territorial Waters and Related Problems [1]

SECRET

A series of Anglo-American discussions on Territorial Waters and Related Problems were held at the Foreign Office on July 31, August 4, 5, 6, 7 and 10. Those taking part on the United States side were Mr. Raymund T. Yingling, Assistant Legal Adviser to the Department of State, who had crossed the Atlantic specially for the talks, and Mr. W. M. McClelland of the United States Embassy. The United Kingdom was represented by Mr. G. G. Fitzmaurice, C.M.G., Legal Adviser to the Foreign Office, Mr. D. H. N. Johnson, assistant Legal Adviser at the Foreign Office and by Mr. E. H. Peck and Miss M. E. Armstrong, both of the General Department of the Foreign Office. There were also present at various stages of the discussions Mr. B. P. H. Dickinson of the Ministry of Transport, Mr. R. G. R. Wall and Mr. A. S. Armstrong of the Ministry of Agriculture and Fisheries, Mr. T. F. S. Hetherington of the Scottish Home Department, Mr. D. C. Gordon Smith of the Colonial Office, Vice Admiral G. Grantham, C.B., C.B.E., D.S.O., Mr. C. G. Jarrett, C.B., C.B.E. and Commander R. H. Kennedy, O.B.E., R.N. (retd.) of the Admiralty.

It was agreed that the discussions would be on a purely informal and exploratory basis, without commitment on either side. The following record gives very summarily the views expressed and the general conclusions reached. (The subjects are listed as in the memorandum[2] given to Mr. Yingling before the talks opened.)

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[1] Prepared in the British Foreign Office.

A. The method of delimiting the territorial belt

(1) *Action by the United Kingdom and the United States*

Mr. Fitzmaurice said that, contrary to what had seemed likely immediately after the Hague Court judgment,[3] there had been no great rush by other Governments to draw base lines. It was true that Iceland had taken advantage of the Court's decision, and that Denmark seemed to be in the process of doing so in a relatively moderate way in relation to Greenland, and was under pressure to do so in relation to the Faroes. But substantially it remained for consideration what the effect on other Governments would be if major maritime Powers such as the United Kingdom and the United States were to apply the new principles to any extent. It seemed undesirable that these two countries should go in for any general application of the new base line principles, but it might be possible to take advantage of them in some localities without giving too much lead to other Governments. Although no decision had been taken, Her Majesty's Government had to reserve the right to take advantage of the new principles in relation to the Scottish coast. The reasons why Scotland wished to draw base lines, particularly in the Moray Firth area, were explained to Mr. Yingling.

Mr. Yingling said that the United States was opposed to the use of the straight line method as a general rule for the drawing of the base line of territorial waters. In commenting on the Yorty Bill the State Department had said that the Hague Court decision gave no legal justification to countries to use the straight line method unless its application could be justified on the basis of all relevant considerations, geographical, historical, and otherwise, laid down in that decision; on policy grounds they were even more opposed to any change, since it was important that the United States should not contribute to any diminution in the area of the high seas. The United States had not had occasion to consider the possibility of applying base lines only in certain areas. The idea seemed to him dangerous though on geographical grounds it might be considered justifiable to apply the judgment to coasts such as those of Scotland or Alaska. The new Submerged Lands Act and the new legislation on the continental shelf might be considered as the United States policy and as having superseded the approach of the Yorty Bill.

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[2] Copy not found in Department of State files.

[3] The judgment of the International Court of Justice in the fisheries case involving the United Kingdom and Norway.

Under the Submerged Lands Act,[4] however, it was possible that some states of the United States might be able to show that their historic boundaries were more than 3 miles in breadth from the coast.

(2) *Attitude to claims by other Governments; criteria for judging base lines.*

Mr. Fitzmaurice said that the Court had accepted the general idea of base lines provided

(a) they were reasonable,
(b) they followed the general direction of the coast, and
(c) they were *inter fauces terrarum.*

It was very difficult to challenge base lines unless they departed from these principles, but, if they did, Her Majesty's Government would protest as in the case of Iceland. He enquired whether the United States Government were likely to protest in similar cases.

Mr. Yingling explained that the United States would not oppose any action taken in accordance with the judgment, and, even where action went beyond the judgment, a protest might not be lodged if, e.g., as in the case of Iceland, other considerations (as political) were against it.

In general discussion it was considered that it would be useful for the two Governments to consult one another in the event of other countries (e.g., Denmark) drawing base lines.

Mr. Fitzmaurice raised the possibility of fixing some new limit (rather greater than 10 miles but nevertheless a fixed limit) to the length of base lines.

Mr. Yingling pointed out (a) that any limit less than some of the Norwegian lines would be directly in the face of the Court's judgment and (b) any fixed limit would itself be arbitrary, and, as the judgment was itself pioneering, it would seem better to let new criteria develop from practice and custom. He thought that the 10 mile limit was still important, even if from the point of view of practice rather than of law. He agreed with Mr. Fitzmaurice that the 10 mile limit might now be regarded as the maximum length for lines not specially justified according to the Hague Court's principles.

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[4] Public Law 31, approved May 22, 1953; it fixed the seaward boundaries of coastal states as a line 3 geographic miles from their coastlines and conveyed to these states title to ownership of lands beneath navigable waters within their boundaries and the natural resources within such lands and waters. For text of P.L. 31, see 67 Stat. 29.

Public Law 212, the Outer Continental Shelf Lands Act, approved Aug. 7, 1953, defined the term "Continental Shelf" as the submerged lands lying seaward and outside the area covered by P.L. 31 and declared it the policy of the United States that the subsoil and seabed of the outer continental shelf appertained to the United States. For text of P.L. 212, see 67 Stat. 462.

(3) *Right of passage through internal waters; innocent passage of warships.*

Mr. Fitzmaurice drew attention to the distinction, completely ignored by the Court, between internal waters behind base lines and true inland waters like creeks and rivers. It was possible that coastal States would not try to prevent innocent passage through internal waters of the former kind, but they might try where warships were concerned. This would be particularly serious where the base lines joined islands to one another or to the mainland, as in the case of Norway, and as might happen if the Danes were to apply the new principles to the Faroes. The United Kingdom felt that, where waters had been territorial in the past (so that a right of passage existed) but these waters were now converted into internal waters through the drawing of base lines, it should be an accepted principle that the mere alteration in the status of the waters should not involve any diminution of existing rights of passage.

Mr. Yingling said he thought that there was no practical problem as yet, and that, until there seemed to be any general move towards adopting base lines, any practical problem which did arise could probably be solved bilaterally without either side's necessarily being committed to the other's view as to whether the waters in question were inland. He agreed that later it might be necessary to try to differentiate between waters behind base lines and true inland waters.

Mr. Fitzmaurice explained that the United Kingdom believed that the general right of passage extended to warships, and that the United Kingdom regarded the innocence of the passage, rather than the character of the vessel, as the real criterion.

. . . .

B. Breadth of the territorial belt

(1) *Action by the United Kingdom and United States*

Mr. Fitzmaurice said that the United Kingdom would continue to claim only 3 miles.

Mr. Yingling said that the United States policy would be to continue to maintain its traditional position and to oppose claims to territorial waters more than 3 miles in breadth, but pointed out that the recent Submerged Lands Act made it possible for the United States Courts to find that certain States had historic titles to territorial waters of more than 3 miles. If that happened, the international policy of the Government might have to be revised.

(2) *Attitude to claims by other Governments*

Mr. Fitzmaurice said that the United Kingdom would continue to oppose claims to more than 3 miles except where there was an historic justification for a wider limit.

Mr. Yingling said that for the present the United States would maintain her opposition to claims of more than 3 miles. (The talks with Ecuador were being restricted to the practical fisheries aspects, and the legal position of each country was being left unaffected.) He agreed with Mr. Fitzmaurice that for the United States and the United Kingdom to continue to protest against claims to more than 3 miles in peacetime would greatly strengthen the justification for ignoring such claims in wartime, if necessary.

There was also some general discussion on the effect which the developing tendency of States to claim more than 3 miles in peacetime would have on the exercise of belligerent rights in wartime. While it appeared that in case of war both countries might be in the position of having to ignore all claims to more than 3 miles, it was nevertheless most important that, as far as possible, the legal justification for behaving in this manner should be preserved. This could best be done by continuing to protest against claims to more than 3 miles, even if in peacetime these protests were largely ineffective, and by avoiding cases before international tribunals which might lead to formal pronouncements being made that the 3 mile limit was no longer a rule of law.

(3) *International Law Commission*

Mr. Fitzmaurice commented that there was evidently no chance that the I.L.C. would recommend a strict 3 mile limit. He described the three proposals which had been put forward in the Commission, i.e., 6 miles, 12 miles with certain derogations ("12 miles minus") and the "Spiropoulos[5] formula" (i.e., the proposal that each State should fix its own limits "subject to the principle of the freedom of the seas"). The last had at first sight seemed attractive, since it would leave the United Kingdom free to argue that by "the principle of the freedom of the seas" was meant the 3 mile limit. On the other hand some States might interpret the formula as giving them the right to fix their own limits unless such a claim was positively turned down by an international tribunal. The 6 mile and 12 mile proposals were also unacceptable. "12 miles minus" had some superficial attractions, but at present the only derogation proposed from the 12 mile principle was that exclusive fishery rights should be confined to 3 miles, and, even if further derogations could be made, there would be a presumption that all rights not specifically excluded would rest with the coastal State up to 12 miles. The United Kingdom were therefore thinking more and more in terms of "3 miles plus". The difficulty, however, was what to offer by way of "plus". Most countries would not regard a contiguous zone by itself a sufficient concession, unless of course exclusive fishery rights were thrown in as well. But the United Kingdom were not prepared to regard exclusive fisheries as part of the rights that went with the contiguous zone, and it was difficult to see what they could offer in excess of the Customs, fiscal and sanitary rights which most countries claimed they already had.

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[5] Jean Spiropoulos, a member of the International Law Commission.

Mr. Yingling said that, although the United States desired to keep the 3 mile limit, they might ultimately be willing to accept a 6 mile limit *provided* unanimous approval of the nations could thereby be obtained. However, support by the United States at this time of the 6 mile proposal would probably not be productive of international agreement. Such support would not only amount to abandonment of the traditional position of the United States but of the other powers supporting the 3 mile limit whose position would then become less tenable. The result would be to weaken the position of the maritime powers, whose interests lie in the direction of a narrow limit of territorial waters, without any compensating advantage since there is no assurance that the states claiming extensive limits for territorial waters would be agreeable to a 6 mile limit. Moreover, the I.L.C. had now given up the 6 miles proposal in favour of "12 miles minus", and he thought the latter very unsatisfactory (a) because territorial waters implied sovereignty (i.e., complete rights and not rights subject to derogations) and (b) because, in any case, none of the countries anxious for extended territorial waters would agree to restrict exclusive fishery rights to the 3 mile belt. He entirely agreed with Mr. Fitzmaurice about the "Spiropoulos formula"; he would not like to see rules for its application settled by the International Court or a similar tribunal. It would be far better to settle such questions through the United Nations or by a conference, and he thought they would eventually have to be settled thus. It seemed better to permit limited incursions on the freedom of the high seas, as by contiguous zones for specific purposes, than to extend the areas under complete national sovereignty.

In general discussion, it emerged that it would be bad tactics for the United Kingdom and the United States to do anything at present other than adopt a strong attitude in defence of the 3 mile limit. It should be pointed out to other countries and to the I.L.C. that, so long as countries were entitled to a contiguous zone of 12 miles and provided that international agreement could be obtained on fisheries on an *ad hoc* basis, they did not need territorial waters of more than 3 miles. This line of approach was considered as likely to be more fruitful than conditioning agreement to a contiguous zone upon agreement on a 3 mile limit of territorial waters. It might be that, ultimately, and provided that it would lead to a general international agreement on all points, it would be in the interests of the United Kingdom and the United States to agree to some reasonable limit wider than 3 miles—say 6 miles. But that point had not been reached yet, even in the I.L.C. It seemed that, rather than reach a bad agreement, it would be better to reach no agreement at all—although again, if and when that point were reached, it might be worth having another look at the "Spiropoulos formula" as a last resort. It was agreed that that formula would settle nothing. However, provided compulsory arbitrations could be avoided, it would not necessarily do any harm and so might be acceptable *faute de mieux*.

C. *Zones outside territorial waters*

(1) *Contiguous Zones*

Mr. Fitzmaurice drew attention to the recent comments of Her Majesty's Government when replying to the I.L.C. on the question of contiguous zones. He said that, on the United Kingdom side, it was felt that, if countries had a contiguous zone, they did not need territorial waters of more than 3 miles. In any event, whatever the limit of territorial waters might be, the contiguous zone should not extend for more than 12 miles from the coast.

Mr. Yingling said that there was obviously a close relationship between the breadth of territorial waters and the question of limited rights in a contiguous zone; and that the need for a contiguous zone as well as its breadth would seem to progressively diminish as the breadth of territorial waters increased. He felt that the United States would be favourable to a 12 mile overall limit for territorial waters and contiguous zones combined; it being understood that the contiguous zones were for customs, fiscal and sanitary purposes.

(2) *Defence Zones*

Mr. Fitzmaurice mentioned that, at the time of the Montebello tests, it had been decided that, rather than proclaim even a temporary sovereignty over, or the right to control foreign vessels in, the area of high sea which it was desired to close, warnings should be issued to shipping to keep out in its own interests. If necessary, these warnings would have been enforced.

Mr. Yingling said that United States thinking was the same on this point. He confirmed that all United States defensive sea areas were now inside territorial waters.

(3) *Fishery Conservation Zones*

Mr. Fitzmaurice said that many claims to increased territorial waters were due to the desire to control coastal fisheries. Countries also declared conservation zones outside territorial waters on a non-discriminatory basis, but carefully closed the area only to the type of fishing carried on by foreigners. In the Truman declaration even the United States had seemed to claim in the last report the right to declare conservation zones unilaterally.

Mr. Yingling said that although the language of the Truman proclamation on fisheries might seem broad enough to permit the United States to declare and enforce conservation measures, even to the exclusion of nationals of foreign countries who had not agreed to those measures, nevertheless the proclamation had not yet been implemented, and the United States were at present definitely opposed to the unilateral formulation and enforcement of conservation regulations on the nationals of other countries outside territorial waters.

Mr. Fitzmaurice agreed that it was undesirable to permit unilateral claims but wondered whether it was possible to provide that the coastal State could obtain the right to institute conservation measures provided it obtained the agreement of the majority of the other States concerned.

Mr. Yingling thought that there would be great difficulty in deciding which states were concerned, and what was a majority; also in enforcing any measures which were not unanimously agreed. The United States would probably also be opposed to this approach on policy grounds. It would be very easy for, say, the countries in a certain area to get together and exclude all others from the nearby fisheries. There would also be the difficulty of determining whether the proposed measures were really designed for conservation and not discrimination.

United States fishing problems were mostly off the coasts of other states. If such a state announced that it intended to claim 9 or 12 miles territorial waters for fishery conservation purposes the United States would try to secure recognition of the 3 mile limit and then come to some separate agreement on fishery conservation. However, at least one state (Mexico) had refused to discuss fisheries problems outside of their claim to territorial waters.

Mr. Fitzmaurice said that the Icelandic attitude had been similar to the Mexican. The United Kingdom hoped, however, that Denmark and other European countries would be prepared to discuss the question of conservation and prohibited zones on a technical basis. In answer to a question from Mr. Yingling he explained that the Russians had now said they were ready to discuss the renewal of the agreement whereby British ships were allowed to fish up to within 3 miles of the Russian coast in spite of the Russian claim to 12 miles territorial waters. He pointed out that this example was the converse of the idea now under discussion, which was that of fishery concessions *to* the coastal State in return for the limitation of territorial waters.

Mr. Yingling explained the policy of the United States as typified in their agreement with Canada and Japan on the North Pacific fisheries. The United States were firmly opposed to the idea of one general fisheries Convention, with international regulations fixed by a single Commission. Each area should be regulated by the countries with established rights, and by the coastal State even if it had no established rights (not necessarily because it had a "proprietary right", but simply because it clearly had an inherent interest). The important new principle was abstention from fishing in certain areas and under certain conditions. Countries without established rights should abstain altogether *if* the maximum productivity of the stock of fish was being fully exploited. If outsiders tried to fish in the area the Contracting Parties would confer upon the steps to be taken. The Governments taking part in the Pacific agreement were all more or less committed to the 3 mile limit.

In general discussion, it emerged that fisheries problems were probably best settled by regional agreements on an *ad hoc* basis. As far as possible they should be kept separate from problems of territorial waters, because, as things were at present, there was no doubt that pressure for wider exclusive fishery limits was the chief cause of claims to wider territorial waters, with all the harmful strategic implications that the latter involved. The factors rendering difficult a solution of the North Sea problem were explained to Mr. Yingling. It seemed that, if that problem could be solved, it would have a most beneficial effect upon the territorial waters situation generally.

D. Continental Shelf

Mr. Fitzmaurice commented that he did not know exactly what conclusions had been reached by the I.L.C. at their present meeting, but he had heard that they had fixed a maximum depth of 200 metres and had declared in favour of "sovereignty" and "natural resources". This last decision would be particularly welcomed by the Australians, who were concerned to preserve certain sedentary fisheries outside territorial waters (to some of which they might not have an historic right) and who for that reason had not liked the phrase "mineral resources".

Mr. Yingling said that the United States position was set out in the President's 1945 proclamation [6] which did not define the term "continental shelf". However, the contemporaneous press release stated that "Generally, submerged land which is contiguous to the continent and which is covered by no more than 100 fathoms (600 feet) of water is considered as the continental shelf". So that the United States could probably agree to the reported I.L.C. draft although it had not objected to the formulation in the first draft based on the depth which was possible of development.

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[6] See footnote 2, p. 1658.

The President's proclamation also used the term "natural resources" and the United States would probably not have been willing to go along with a limitation to "mineral resources."

So far as "sovereignty" was concerned the United States preferred "jurisdiction and control" as being more consistent with the facts since traditionally sovereignty over land has included superjacent waters and airspace. However, the United States could probably go along with "sovereignty" if all other States preferred that term. The Francois formula "sovereign rights of jurisdiction and control" seemed to him worse than either of the two simpler formulations.

Mr. Fitzmaurice said that he had much sympathy with Mr. Yingling's views as to "jurisdiction and control" and that, if other states preferred that formula, the United Kingdom could probably agree to it.

Mr. Yingling agreed with Mr. Fitzmaurice that if any state tried to claim that trawling for swimming fish damaged that state's continental shelf, the onus of proof would be on it.

E. Methods of co-ordinating the policy of the two countries

Mr. Fitzmaurice suggested it might be worth while holding a meeting of maritime countries with roughly similar interests and issuing a common declaration on territorial waters policy.

Mr. Yingling said that although numerical majorities were illusory, and major maritime countries could and should have more influence than others on these problems, he felt that a joint statement of the kind suggested might be regarded as an attempt to influence the I.L.C. by power politics. He agreed that the Commission had shown itself anxious to receive indications of opinion, but thought it might be more useful for each power to approach the I.L.C. separately. However, he also felt that it was very desirable to do anything possible to prevent the I.L.C. from making radical recommendations, and agreed to put the idea of a joint statement to the State Department.

In discussion, it emerged that the time was probably not yet ripe for any common declaration by the maritime Powers, but that the occasion might come if and when the I.L.C. looked like issuing a really bad report or failing to reach any conclusions at all. For the time being it was best to proceed by way of individual replies to the I.L.C., though the United Kingdom and the United States should continue to consult each other over these replies and over problems of territorial waters generally. If it ever became necessary to issue a common declaration, it would be better for it to proceed not from the United Kingdom and the United States alone, but also from such countries as France, Belgium, the Netherlands, and possibly Germany and Japan.

In answer to an enquiry from Mr. Yingling, Mr. Fitzmaurice said that the United Kingdom would probably now wish to consult other European countries. Any reference to the present talks with the United States would be in very general terms.

Mr. Yingling explained that the State Department had not fully considered the matter of referring "test cases" to the International Court when the first talks were held in 1951. They had since themselves decided against taking the Mexican case there. Mr. Fitzmaurice said the Icelandic case might be taken, but so far the Icelanders had refused to submit it.

Mr. Yingling said that as there was clearly no hope of persuading the Latin Americans to accede to the United States views at this time, the United States had persuaded them to give the matter further study.

Mr. Yingling enquired whether there had been recent talks with the Commonwealth countries and the colonies on the subject of territorial waters. Mr. Fitzmaurice replied that there had been none, and that it might be useful to hold some fairly soon. He did not think that Canada or Australia or any of the other Commonwealth countries were seriously thinking of extending the width of their territorial waters or of radically changing their policy in the matter of base lines. It seemed likely that the Australian needs would be met by the I.L.C. recommendations on sedentary fisheries. There were a few colonies who might benefit from the introduction of base lines, but the pressure was not such as was likely to affect United Kingdom policy if the United Kingdom decided that on general grounds the adoption of base lines would be harmful.

[LONDON,] August, 1953.

711.022/10-2953

Memorandum by the Under Secretary of State (Smith) to the President [1]

WASHINGTON, October 29, 1953.

Subject: Fishing Rights in Coastal Waters

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[1] Drafted by Yingling and Edward G. Platt, Jr., of the Executive Secretariat's Staff Operations.

There is enclosed a suggested reply to the letter of August 6, 1953 addressed to you by Senators Daniel, Holland and Saltonstall,[3] a copy of which was transmitted to the Secretary for suggested reply.

The suggested reply has been submitted to the Attorney General and has been approved by him.

WALTER B. SMITH

[Enclosure]

SUGGESTED REPLY

MY DEAR SENATOR DANIEL: Your letter of August 6, 1953 indicates the concern of the fishing industry with respect to the effect of the Submerged Lands Act on the traditional position of the United States in regard to the limit of territorial waters.

As you point out, the position of the United States with respect to the limit of territorial waters and consequent exclusive fishing rights therein has a vital effect on the position of this Government with respect to claims to exclusive fishing rights by other countries.

It has been the traditional position of the United States that the limit of its territorial waters is three miles from low-water mark on the coast. Although this traditional position has not been changed by any policy determination of the Executive Branch of the Government or by the courts, nevertheless the Submerged Lands Act, as I understand it, leave coastal states, at least in the Gulf of Mexico, free under certain conditions to establish claims to territorial boundaries in excess of three miles from the coast.

Until such claims have been established in the appropriate tribunals I do not feel that a declaration by me, such as you suggest in your letter under reference, should be made. It will continue to be the policy of the United States to assert the right of its nationals to engage in fishing on the high seas outside of the three mile limit for territorial waters.

Sincerely,

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[3] Not printed.

Editorial Note

The Legal Adviser, Phleger, on January 22, 1954, addressed the Pennsylvania Bar Association on recent developments in international law of interest to the United States. Two sections of his address dealt with the activities of the International Law Commission and the Continental Shelf Doctrine; see Department of State *Bulletin*, February 8, 1954, pages 199 and 200.

320.22/6-2554: Circular airgram

The Secretary of State to Certain Diplomatic Offices[1]

CONFIDENTIAL WASHINGTON, June 25, 1954.

CA-7624. Subject: Continental Shelf and Fisheries.

The following instruction is not to be acted upon until receipt of telegraphic instructions from the Department to do so.

At the Eighth United Nations General Assembly the United States unsuccessfully opposed passage of Resolution 798,[2] which was sponsored by Iceland and which provided that the Assembly would not deal with any parts of the International Law Commission's codification and development of the law of the high seas and territorial waters until all parts have been completed; this may take a considerable number of years. The United States particularly desires passage of the draft articles on the continental shelf,[3] since these support our ideas and activities relating to the shelf. Although we are unable to accept certain aspects of the International Law Commission's draft articles on high seas fisheries as presently drafted, we favor discussion and an attempt to reach an agreeable compromise on their substance. The adoption of Resolution 798 by the Assembly strengthened the determination on the part of a few countries (especially Iceland, Korea, and some Latin Americans) to designate large areas of the high seas off their coasts as fishing zones reserved for exclusive use by their nationals. These coastal states are probably motivated by a combination of factors: an idea that an extension of territorial jurisdiction for one or more purposes will "cost nothing" and may be of value; a desire to monopolize coastal fish; and a desire to tax foreign fishing vessels.

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[1] Sent to Addis Ababa, Ankara, Athens, Auckland, Baghdad, Bangkok, Beirut, Belgrade, Brussels, Cairo, Canberra, Copenhagen, Damascus, Djakarta, The Hague, Jidda, Kabul, Karachi, London, Luxembourg, Manila, Monrovia, New Delhi, Oslo, Ottawa, Paris, Pretoria, Rangoon, Stockholm, Taipei, Tehran, and Tel Aviv. Repeated for information to the U.S. Mission to the United Nations.

[2] See the editorial note, p. 1664.

[3] These draft articles are printed as part of the report of the International Law Commission to the General Assembly covering the work of its fifth session (A/2456), *ILC Yearbook*, 1953, vol. II, p. 212. They were drafted after presentation of the Fourth Report on the High Seas submitted by François on Feb. 19, 1953. The text of the Fourth Report (A/CN.4/60) is printed in French, *ibid.*, p. 1. The Commission discussed the Fourth Report at its meetings from June 16 to July 7, 1953, *ibid.*, vol. I, pp. 72-170.

At the recent Caracas Inter-American Conference[4] it was decided to hold a hemispheric meeting in 1955 to consider problems of the continental shelf, fisheries, and related subjects. It is expected that the United States free seas position will have little support in this forum. In addition to other considerations, prior action in the United Nations would have the effect of improving the United States position at the coming hemispheric meeting.

There are a number of reasons for wanting to uphold the doctrine of freedom of the seas: (1) Freedom of the seas for purposes of fishing and navigation is one of the basic precepts of international law, and abandonment would constitute distinct retrogression from the standpoint of law and order in community nations. (2) Freedom of the seas is an integral whole which can be gradually destroyed by the removal of individual segments. There are a number of states which, like the United States, have large fishing, commercial or naval interests and which are vitally interested in upholding the doctrine of freedom of the seas. (3) Although freedom of the seas is advantageous to those countries which have sizable commercial, fishing or naval interests and activities, it is equally advantageous to countries with no large interests in any of these spheres. Although freedom of the seas is a doctrine which has been universally accepted for several centuries, there was a time when a few large and powerful nations controlled the seas for their own purposes. If the doctrine is abandoned, it is likely that a few powerful nations will again claim the right to control the seas and the smaller riparian nations will be unable to enforce their claims. Hence the doctrine of freedom of the seas benefits the small non-commercial, non-fishing, and non-naval states in a manner which, for their own self-interest, should persuade them of the value of its continuance. (4) Enforcement of exclusive zones will result in uneconomic utilization of resources of the seas and adversely affect consumers in most countries of the world. Many coastal states have neither the scientific nor industrial facilities to explore or utilize efficiently the marine resources in the waters off their coasts. In the past many valuable fishing grounds on the high seas off the coasts of small states would have remained undiscovered except for the exploration by nationals of the large "fishing nations". Many of these fishing grounds could not yield cheap food except through the activities of large modern fleets. To close such fishing grounds to all except the small fleets of the riparian state would result in uneconomic utilization, increased cost to the consumer and an inability to conserve the fish because of lack of scientific knowledge on the part of the riparian state. (5) Arguments that riparian countries are as entitled to fish in waters above the shelf as to natural resources on the seabed and in the subsoil of the shelf have a certain superficial appeal but are of little substance. The fishing industry has been based for years on the theory of freedom of the seas, whereas exploration and exploitation of resources of the seabed and the subsoil of the shelf is a comparatively recent development and involves few, if any, nonnational vested interests. In addition, the resources of the seabed are stationary and normally require shore facilities for their efficient exploitation.

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[4] For documentation on this Conference, held Mar. 1-28, 1954, see vol. IV, pp. 264 ff.

The United States desires (1) the reversal of the decision taken by the Assembly in Resolution 798, and (2) discussion of the continental shelf and fisheries at the Ninth General Assembly. If indicated support gives a reasonable chance of success, the United States is considering co-sponsoring an item on the agenda to this effect. While the United States is substantially satisfied with the International Law Commission's articles on the continental shelf and desires their adoption as soon as possible, the United States expects to put forward substantial amendments to the fisheries articles. It is contemplated that other states will have substantive suggestions on one or both of these sets of draft articles.

Although there was no roll-call vote on Resolution 798 in the plenary session of the Assembly, there was a roll-call when the resolution was adopted in the Sixth Committee. The breakdown of this vote is as follows:

Voted in Favor:
Denmark
Iceland
Iraq
Liberia
Luxembourg
Norway
Saudi Arabia
Sweden
Czechoslovakia
Byelorussia
Poland
Ukraine
USSR
Argentina
Cuba
El Salvador
Guatemala
Honduras
Uruguay

Voted Against:
Australia
Belgium
Canada
France
Greece
Israel
Netherlands
New Zealand
Pakistan
Philippines
United Kingdom
Brazil
Ecuador
Panama

Abstained:
Afghanistan
Burma
China
Egypt
Ethiopia
India
Indonesia
Iran
Syria
Thailand
Turkey
United States
Yugoslavia
Nicaragua
Peru
Venezuela
Chile
Mexico

Were Absent:
Union of South Africa
Yemen
Paraguay
Bolivia
Colombia
Costa Rica
Dominican Republic
Haiti
Lebanon

The Embassy should ascertain as quickly as possible (1) the government's view on the proposed move to reopen the question at the Ninth General Assembly, and, in the Embassy's discretion, (2) whether the government would be willing to assist the United States and/or associate itself formally with the United States in sponsorship of an item on the agenda. It is our desire to have as many states as possible associated with us in the presentation of this matter to the UN. The Embassy should also use its discretion in presenting in support of our request any or all of the reasons in favor of freedom of the seas which were outlined above and which seem appropriate vis-à-vis a particular government.[5]

DULLES

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[5] The Department sent the substance of CA-7624 to all diplomatic offices in the other American republics as circular telegram 36, dated July 14, 1954, which concluded with the following paragraph:

"Unless Embassy perceives objection ascertain (prior July 22 if at all possible) 1) government's view proposed move to reopen question 9th GA, and in Embassy's discretion, 2) whether government will assist US or associate itself with US in sponsorship item on agenda. Desire widest possible co-sponsorship. In ascertaining views foregoing questions Embassy should use discretion presenting any or all reasons in favor freedom seas outlined above which seem appropriate vis-à-vis particular government." (320.22/7-1454)

320.22/6-2554 : Circular airgram

The Secretary of State to the Legation in Iceland [1]

CONFIDENTIAL WASHINGTON, June 25, 1954.

CA-7677. Subject: Continental shelf and fisheries.

The Department is circulating an instruction in an attempt to elicit the general feeling and support for a possible move in the General Assembly this fall to reconsider last year's decision to postpone indefinitely further discussion of the International Law Commission draft re the continental shelf and fisheries. It is desired to have a full discussion of both subjects; there is a good possibility of adoption of the ILC shelf articles, although little likelihood of the adoption of any fisheries articles. A recent Inter-American decision to hold a conference on these subjects in 1955 makes it doubly important to discuss them in the UN this fall where we will have the support of a number of powerful states with common objectives. Although the circular instruction is being air pouched now, our Embassies are instructed not to implement it until receiving telegraphed instructions from the Department. Since the Department did not wish Iceland to hear of our soundings from some other source, you should make this move known to the Foreign Office immediately upon being notified by the Department that the circular instruction is being acted upon in other capitals.

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[1] Repeated for information to the U.S. Mission to the United Nations.

The following points should be made in presenting the proposition:

(1) We have a number of large interests (high seas fishing, commercial, and naval) in preservation of the freedom of the seas as a living workable doctrine; we believe that other nations have similar interests in maintaining such freedom. However, we fully realize that some of our interests and those of Iceland are different in these matters. Therefore, we seek through UN discussion to develop acceptable methods of handling the problem so that the differences will be minimized. Our attitude is in no sense "anti-Iceland"; it runs counter to attitudes and interests of a number of states and parallel to a number of others; basically it is an attempt to uphold our own vital American interests.

(2) The United States has so far refrained, for political reasons, from formally protesting Iceland's past claims to extensions of sovereignty. In addition, despite very strong interests and domestic pressures, we have so far refrained from increasing tariffs on Icelandic fish. Iceland would appear to want to be able to mark off large areas of high seas for their exclusive fishing use and at the same time want us to refrain from marking off areas of our domestic market for domestic fishermen. It is not reasonable for them to expect us to take this lying down. We have refrained in tariff matters (a matter within our domestic competence), but cannot forbear in the overall problem of extension of jurisdiction over the high seas contrary to international law and to U.S. interests because of our large fishing, commercial and naval interests.

(3) At your discretion, and if you find it opportune, you might use an additional argument as follows:

> The doctrine of freedom of the seas is being threatened by extreme claims in a number of quarters. If the process is allowed to accelerate and the doctrine should die, the seas would be controlled by a few powerful nations. Fishing rights notwithstanding, Iceland as a state dependent on maritime commerce might find itself in a very disadvantageous position if the waters all around the island were in the control of other powers rather than being free for the use of all. It is the hope of the United States that United Nations discussion will result in a solution which generally upholds the freedom of the seas as recommended by the ILC and at the same time achieves a solution of fishing problems in such a way as to take care of the most pressing national interests.

DULLES

320.22/7-754: Telegram

The Chargé in Iceland (Dillon) to the Department of State

SECRET REYKJAVIK, July 7, 1954—6 p.m.

8. Re Deptel 3.[1] CA 7677,[2] received COB last night. *Aide-mémoire* based on it presented Foreign Minister[3] this afternoon. His first comment was "Iceland views this matter very seriously". He went on to say that protection of fisheries was life and death question to Iceland, and he hoped UN would not attempt to "pass a law" aimed at fisheries protection. The Faeroes Islands had been fished out by British trawlers and the Faeroes now had to fish off Greenland and Iceland. He understood the grounds off Boston had also suffered from overfishing and said the Icelanders were determined that would not happen here.

He then commented that fisheries were not so important to US as to Iceland and asked whether rich countries thought that poor countries had no rights. After a pause I replied that large countries had interests no less than small ones, and they had an equal right to protect them. I referred to the historical interest of US in freedom of seas doctrine, and mentioned our commercial and naval as well as fishing interests in problem. I said US was disturbed by encroachments on traditional doctrine, and would not wish to see situation where few powerful states controlled seas. Foreign Minister agreed this would not be in interest of smaller states.

He then commented three mile rule not universal, Sweden for example having four mile limit and asked if Canada did not as well. I said I understood Canada observed three mile limit (he was probably thinking of Canadian interest in ground fish tariff question here).

Foreign Minister then remarked US claimed offshore interest in oil wells beyond three miles. I said I was not familiar with this matter but thought we did not claim sovereignty there. Foreign Minister replied Iceland did not claim sovereignty either, only protection of fish. I quoted last sentence instruction resolution both freedom of seas and fisheries problem and said that should be our aim, adding that purpose of *aide-mémoire* was to give Icelandic Government advance notice of our intention, as friendly act toward ally.

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[1] Not printed. (320.22/7-254)

[2] *Supra.*

[3] Kristinn Gudmundsson.

Foreign Minister said he appreciated this, adding we would probably have reply setting out Icelandic Government position.[4] He repeated matter was very serious one for them, and he hoped UN would not act contrary to The Hague decision in Norwegian-British fisheries case.

Foreign Minister was obviously disturbed by US approach, but meeting was cordial throughout.

DILLON

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[4] On July 10, 1954, Foreign Minister Gudmundsson handed to Chargé Dillon an Icelandic *aide-mémoire* reaffirming the position expressed by Gudmundsson during the conversation of July 7. The Legation in Iceland transmitted the text of the *aide-mémoire* to the Department of State in despatch 18 from Reykjavik, July 12. (320.22/7–1254) Dillon's summary of his conversation with Gudmundsson on July 10 is in telegram 11 from Reykjavik, July 12, not printed. (320.22/7–1054)

320.22/7–2854

Record of Anglo-American Discussions on the Continental Shelf and Fishery Problems [1]

CONFIDENTIAL

A series of Anglo-American discussions on the continental shelf and fishery problems were held at the Foreign Office on July 8, 9, 12, 13, 14 and 16. Those taking part on the United States side were Mr. William C. Herrington, Special Assistant for Fisheries and Wildlife to the Under-Secretary of State who had come from Washington specially for the talks, and Mr. W. M. McClelland of the United States Embassy. The United Kingdom was represented by Sir Gerald Fitzmaurice, K.C.M.G., Legal Adviser to the Foreign Office, Mr. F. A. Vallat, Deputy Legal Adviser to the Foreign Office, Mr. R. G. R. Wall, Fisheries Secretary at the Ministry of Agriculture and Fisheries, Mr. G. M. Graham and Mr. A. S. Armstrong of the Ministry of Agriculture and Fisheries, Mr. N. J. P. Hutchison of the Scottish Home Department, and Mr. E. H. Peck and Mr. B. O. White, both of General Department in the Foreign Office. There were also present at various stages of the discussions of Mr. H. L. Lawrence-Wilson and Commander R. H. Kennedy, O.B.E., R.N. (Retd.) of the Admiralty, Mr. L. E. Dale of the Ministry of Transport and Civil Aviation, Mr. D. H. N. Johnson, Foreign Office, Mr. H. A. F. Hohler, C.M.G., and Mr. H. K. Matthews, M.B.E., both of Northern Department in the Foreign Office, and

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[1] Prepared in the British Foreign Office and transmitted to the Department of State by the Embassy in London under cover of despatch 300, July 28, 1954. (320.22/7–2854)

Mr. M. B. Jacomb and Mr. H. F. Bartlett of the United Nations Departments in the Foreign Office.

It was agreed that the discussions would be on a purely informal and exploratory basis, without commitment on either side. The following record gives very summarily the views expressed and the general conclusions reached.

A. *Measures to be taken to secure reconsideration of the I.L.C. draft articles on the Continental Shelf, and of fishery problems in the Ninth General Assembly of the United Nations.*

(1) *Reasons for urgent action.*

Mr. Herrington explained that the United States feared that in the absence of any declaration on, or active consideration of, those two questions by the United Nations, many countries, in particular the Latin Americans, would be encouraged to take and justify further steps to develop joint action to strengthen unilateral claims to jurisdiction and control over the High Seas by pleading necessity for measures to conserve fisheries and the failure to get action at the United Nations level. The United States Government therefore considered it necessary to try to secure reversal of the resolution adopted by the General Assembly on December 7, 1953,[2] when it decided "not to deal with any aspect of the regime of the high seas or of the regime of territorial waters until all the problems involved have been studied by the International Law Commission and reported upon by it to the General Assembly".

Mr. Herrington referred to the Opinion of Judge Alvarez in the Anglo-Norwegian fisheries case, and in particular to the statement that "rights [of a State to determine the extent of its territorial sea, etc.][3] are of great weight if established by a group of States, and especially by all the States of a continent". He pointed out that the Latin American States had only been prevented by procedural arguments from putting down resolutions that 200 miles should be the limit of territorial waters for conservation purposes in an Inter-American Fisheries Conference called by the F.A.O. in 1951, and in 1952 a majority of the Inter-American Judicial Committee recommended in favour of jurisdiction to a distance of 200 miles. Finally, in 1954, the conference of the Organization of American States had resolved to call a specialized conference in 1955 to study the "juridical and economic system governing the submarine shelf, oceanic waters, and their natural resources." So far States which claimed 200 miles had made no attempts to enforce their claims to this distance, but the situation might change if sub-continent-wide agreement were reached.

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[2] See the editorial note, p. 1664.

[3] Brackets in the source text.

If however the United Nations were to take definite action on these questions, this would have a restraining effect on the efforts of the Latin American States in attempting to establish their claims to extreme distances. It was necessary to secure as far as possible the separation of the question of the continental shelf from that of fishery conservation, and of both those questions from that of territorial waters and this could best be done by getting United Nations approval of the Continental Shelf articles, and at the same time a decision that "conservation" problems should be considered in detail by a technical body or conference under the aegis of the United Nations.

Mr. Herrington said the United States thought it important to promote better understanding among the smaller States of the importance to them of freedom of the seas, which would be safeguarded to a large extent by the Continental Shelf Articles. It was desirable to get them to understand that this was not propaganda for the benefit of naval powers only. States that had so far sat on the fence should be shown how much they would lose in losing the freedom of the seas, and the United States and the United Kingdom should do all they could to rally and coordinate support from States who shared their views but were sometimes hesitant about acting on them. An active program should be undertaken to put the relevant argument before the Latin American States. Sir Gerald Fitzmaurice agreed that it was desirable to forestall the development of exaggerated claims by re-opening both the question of the continental shelf and that of fishery regulation in the United Nations. The United Kingdom were very much in favour of separating the questions of the continental shelf and fishery conservation from that of territorial waters, of persuading small States that the freedom of the seas was to their advantage, and of rallying support from as many nations as possible. Note was taken with approval of the United States memorandum setting out arguments for use in this connexion.

(2) *Tactics to be adopted.*

Sir Gerald Fitzmaurice said that the best way of securing reconsideration of the Articles on the Continental Shelf would be for an item to this effect to be put on the General Assembly agenda; an explanatory memorandum giving reasons for re-opening the question should be submitted at the same time to prevent as far as possible the crystallisation of prejudiced views. The fishery articles were so incomplete and unsatisfactory that they would be better dealt with by proposing an item that would cover the consideration of fishery problems generally, and not of the Articles as such. This, as an economic rather than a legal item, should be dealt with by the Second Committee, which the United Kingdom regarded as more favourable for the purpose. It would be advisable to word the item to this end, and if necessary to ask the Secretariat to include it in the right group before submission of the agenda to the General Committee. The accompanying memorandum would have a better reception if obviously drafted by the United States, as sinister motives were habitually attributed to the United Kingdom in connexion with these questions.

The United Kingdom did not consider that it would be satisfactory or safe to raise the questions on the I.L.C. report to the Ninth Session, or to attempt to persuade the I.L.C. to include the questions in their report contrary to the General Assembly resolution of December 7. Mr. Herrington said that the proposal of separate items seemed the best course. The United States had already taken steps to enquire from Governments whether they would be willing to support reconsideration of the questions as well as the possibility of co-sponsorship of such an item on the United Nations agenda. In the light of the replies received a decision would be made with regard to proposing reconsideration and arranging for a number of countries to co-sponsor the items. It would be as well tactically to include a number of smaller countries, e.g., Philippines, Belgium, Brazil, Greece, the Netherlands, possibly Denmark, or if possible to have the item proposed by small countries alone.

Sir Gerald Fitzmaurice agreed that the items should if possible be proposed by a smaller country or countries, but the United Kingdom were of course prepared to co-sponsor if this was thought necessary.

It was agreed that the two Governments should take steps to enlist support for their views in debate and voting in the United Nations. It was tentatively agreed that the following countries will be considered for an approach by the United States:—

> Cuba, El Salvador, Guatemala, Iceland, Liberia, Norway, Saudi Arabia, Uruguay, Brazil, Canada, Ecuador, Chile, China, Egypt, Iran, Mexico, Nicaragua, Peru, Thailand, Venezuela, Bolivia, Colombia, Costa Rica, Dominican Republic, Hayti, Lebanon, Paraguay and Yemen,

and the following by the United Kingdom:—

> Argentina, Czechoslovakia, Denmark, Honduras, Iraq, Luxembourg, Poland, Sweden, U.S.S.R., Pakistan, Panama, South Africa, Ethiopia, India, Indonesia, Syria, Turkey and Yugoslavia.

Mr. Herrington said that the United States might wish to comment further on this allocation after he had discussed the matter with the several desk officers in the Department.

(3) *Substance of proposals.*

(i) The Continental Shelf

Sir Gerald Fitzmaurice said that although the Articles on the Continental Shelf were not perfect, they were in essentials satisfactory, and it would be better, for tactical reasons, not to attempt to amend them in detail. If the Assembly could be induced to "note with approval" the Articles in their present form, this would go far toward safeguarding the existing legal position, and would provide a useful basis for protest against claims to control over superjacent waters. Such a resolution would not, however, preclude the possibility of subsequent amendment of the Articles, in the light of changing conditions or, for example, the decision of the International Court in the Australian Pearl Fisheries case, if ever the time seemed right for drawing up a Convention for signature.

"Adoption" of the Articles by the Assembly would not be so appropriate as "noting with approval", since this would be more binding on Governments, and no less likely to meet with approval, and might also preclude amendment or supplementation of the Articles. "Noting with approval" could be represented as one step forward in dealing with the problem, and should be as effective as any other form of resolution in countering claims that conflict with the provisions of the Articles.

Mr. Herrington said that although the United States would prefer Article II to be amended, they could probably support the present form, since any attempt to amend the Articles might well stimulate other, undesirable, amendments and thereby prejudice achievement of the major aim, namely, approval of the Articles. (See Annexe I[4] for revision of Article II proposed by United States.)

It was agreed that provision for bona fide scientific research could best be made by including in the draft resolution a paragraph based on the following draft proposed by Mr. Herrington: "Subject to its right to take reasonable measures to protect its interests in the subsoil and seabed of the continental shelf, the coastal state may not interfere with scientific research on or over the continental shelf".

It was also agreed that the United Kingdom should take whatever steps seemed best to cause the International Council for the Exploration of the Sea to ask the Government of Denmark to propose the necessary addition to the draft resolution. The United States would suggest similar approaches from Western Hemisphere scientific organisations.

(ii) Fishery problems

In discussion the following points were made.

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[4] Below.

Apart from examples which might be mentioned in speeches designed to show what the problems were and to suggest ways in which they might be tackled, it would be better to avoid any discussion of substance in the General Assembly. Even if the United States and United Kingdom were agreed on a set of draft articles beforehand to present them to the General Assembly would probably alienate sympathy and arouse suspicion. Different facets of the problem could be presented in speeches, but to ask delegations without any technical knowledge of fisheries to decide immediately on a draft would be to court defeat.

It was hoped that discussions would take place in the Second Committee, and that the Committee would agree on a draft resolution pointing out the urgent need for international agreement on regulation of fisheries if continued high productivity of fishery resources were to be ensured, and proposing that the problem should be dealt with (1) by reference to the Economic and Social Council for committal to the Food and Agriculture Organisation, or alternatively direct to F.A.O. or (2) by reference to a special meeting of technical experts to be called together from various countries for that purpose. The former course might be accompanied by a recommendation that the Fisheries Division of F.A.O. should be asked to prepare draft articles for eventual consideration at a technical conference. In view of the inexperience of F.A.O. in this particular problem it would be advisable for the recommendation to say that the Organisation should take into account in carrying out its task any points made in the discussion in the Assembly, and any comments that might be received subsequently from Governments.

It would be necessary to consider further exactly what form the reference to F.A.O. should take, in consultation with United States and United Kingdom officials and experts who had taken part in F.A.O. meetings, and to make provision for any interested Governments not represented in F.A.O. to take part in any technical conference.

It was agreed that the two Governments should continue to consult on the form of the draft resolution on fishery problems in the light of the points made above, and that the text should be agreed by the delegations in New York when replies had been received from other Governments consulted.

(4) *Discussion of the Articles on the Continental Shelf.*

It was agreed that the text of the Articles should not be amended for purposes of action by the General Assembly, but the following points were made in discussion:—

Article 1. No comments.

Article 2. The United States would prefer the form quoted in Annexe I. The inclusion of "natural resources" would lead to dispute, and although the I.L.C. comments on the Article were useful, e.g., in determining where the distinction was to be drawn between "sedentary" fish and "swimming" fish, those comments had no definite legal status. The United States would be prepared to allow that "attached" species could be regarded as part of the natural resources of the sea bed, but thought it dangerous to admit species which were unattached, or which moved, even if they moved only a few yards. They also felt that "sovereignty", even as qualified by Articles 3 and 4, encouraged some States to argue that sovereignty over the shelf must include the superjacent waters and air space.

The United Kingdom stated that they would prefer to keep "sovereignty" in the Article because sovereignty had been the basis of a number of Orders-in-Council extending the boundaries of certain Colonial territories to include the continental shelf. They could not accept the argument that because trawling might affect the sea bed, the coastal state should have a consequential right to prohibit trawling over its shelf.

Mr. Herrington agreed, and said that as trawling did not usually take place where attached fish are found, the right to trawl usually would not conflict with the right to protect sedentary fisheries.

Article 3. No comment.

Article 4. No comment.

It was agreed that Articles 3 and 4 were of such importance that it was worth accepting minor imperfections in other Articles to secure the Assembly's approval of these two.

Article 5. If Article 2 were ever amended as proposed by the United States, it might be necessary to amend the first part of Article 5, but the right referred to here did not exclude the possibility of other rights of the coastal State or even of other States.

Article 6. If Article 2 were amended, the beginning of 6.1 might also need amendment.

Article 7. "Special circumstances" might lead to dispute, but there seemed no way of avoiding this. It was considered that the problem of "offlying portions" of the continental shelf was covered by the comment on Article 1.

Article 8. It was agreed that this Article was necessary to make Articles 5, 6 and 7 effective, although there was the possibility that if the Articles were ever incorporated into a Convention some States might accept it with reservation on Article 8.

(5) *Discussion of Fishery Problems.*

It was agreed that, although it would be inappropriate to present or mention draft Articles in discussing the question in the United Nations, it would be useful to see how far agreement could be reached on a set of draft Articles as a basis for action in F.A.O. or a technical conference.

Annexe II contains a set of draft Articles proposed by Mr. Herrington on the second day of the meeting as a result of discussions on the previous day, and an alternative set proposed by the United Kingdom after further discussion. Much of the discussion was devoted to the principle of abstention introduced in Article I(c) of the United States draft. Article 2.2(b and c) of the United Kingdom draft represents the maximum concession which the United Kingdom felt able to make to the principle of abstention.

Among points made in discussion were the following:—

It was agreed that problems should be worked out as far as possible by the nations concerned in regional agreements. Where agreement could not be reached it would be better to appoint ad hoc arbitrators than to have to refer to some single comprehensive international body which could not have specialised knowledge of all the different fisheries.

"Stock" v "Area". The United Kingdom conceded that ideally the concept of stocks of fish provided a better basis for conservation measures than that of area, and that the present Whaling Convention suffered from the "area" concept, but thought that countries mainly interested in fisheries like those of the North Sea where the separation of stocks was by and large impossible would regard the introduction of "stocks of fish" as novel and possibly impracticable. It might however be possible to get the idea accepted by a technical conference, subject to certain safeguards, and this was yet another reason for not putting the articles directly to the General Assembly.

Abstention (see Annexe II).[5]

The United States view was that where a State or States had extensively studied and regulated a fishery to bring it to high sustained productivity and were fully utilising the stock on a sustainable yield basis, it was reasonable that other States should abstain from the fishery. The United Kingdom agreed that in certain special cases, such as the halibut and salmon fisheries shared by the United States and Canada, there were good arguments for abstention by other countries, and that provision should be made for these special cases, but that as a matter of general principle newcomers should be admitted to fisheries provided they observed measures already in force there. Even where a regulated fishery could not support an unlimited number of newcomers, the United Kingdom would prefer to see some newcomers admitted under a licensing system, rather than that there should be total exclusion.

[LONDON,] July 22, 1954.

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[5] Below.

Annexe I

CONTINENTAL SHELF

ARTICLE 2

The subsoil and seabed of the continental shelf appertain to the coastal state and are subject to its jurisdiction, control and power of disposition.

Annexe II

DRAFT FISHERY ARTICLES (U.S.)

ARTICLE 1

a. A State whose nationals are engaged "on the High Seas" in fishing "any stock of fish not being fished by" nationals of other States, may regulate and control fishing activities for "that stock" for the purpose of "making possible the maximum sustained yield from that stock."

b. If the nationals of two or more States are engaged in fishing "the same stock of fish" the States concerned shall prescribe the necessary measures by agreement.

c. If subsequent to the adoption "and application" of such measures the nationals of other States ("desire" to) engage in fishing for these stocks, they shall observe the measures in effect. Provided however that if the concerned stock reasonably fulfils the following conditions:

(1) It is the subject of scientific research for the purpose of determining measures necessary for making possible the maximum sustained yield.
(2) It is under regulations for the same purpose.
(3) Any further increase in fishing would not result in any substantial increase in sustained yield; the other States will abstain from fishing that stock.

d. In the event that agreement is not reached regarding the measures referred to in 1 b., or if the other States referred to in 1 c. do not agree with the measures in force, or if there is disagreement as to whether a stock reasonably fulfils all the conditions for abstention listed in 1 c., the question shall, at the request of one of the interested parties, be referred to the international body envisaged in Article 3.

e. None of the provisions of this Article shall be construed as preventing

1) A State from regulating its nationals for any purpose;

2) Two or more States by agreement from regulating their nationals for any purpose.

FISHERIES

ARTICLE 2

With respect to any stock of fish in waters contiguous to the territorial waters of a coastal State, the coastal State is entitled to take part on an equal footing in any system or agreement for the purpose of research on and regulation of that stock, even though its nationals do not carry on fishing for that stock, (provided that participation in regulation shall be contingent upon participation in any programme of research.)

ARTICLE 3

States shall be under duty to accept the decisions of the international authority defined below with respect to the questions referred to it under Article 1 preceding. The international authority shall be constituted as follows:

If a State or States questions the qualifications for abstention or the measures in effect, the questioning State or States shall appoint one arbitrator, the regulating State or States shall appoint one arbitrator, and the two arbitrators shall appoint a third arbitrator.

In the event that the first two arbitrators are unable to agree within one month upon the third arbitrator, such third arbitrator shall be appointed by the President of the International Court of Justice. In the event that either the challenging State or States or the regulating State or States, shall have failed to appoint an arbitrator within one month at being notified of the appointment of the arbitrator of the other side, the President of the International Court of Justice shall appoint such arbitrator.

Questions to be determined by the arbitral tribunal shall be limited to the following:

1. With respect to abstentions:

    a. Does the stock of fish reasonably satisfy the following:

    1. Is the stock subject to reasonably adequate scientific investigation with the objective of determining measures required to make possible the maximum sustained yield.
    2. Is the stock under regulation for the purpose of making possible the maximum sustained yield.
    3. Is the stock under such exploitation that an increase in the amount of fishing will not result in a substantial sustained increase in yield.

2. With respect to conservation measures:

a. Are the regulations based on appropriate scientific findings.

b. Are the regulations necessary to make possible the maximum sustained yield.

c. Are the regulations reasonable.

d. Are the regulations designed to, or in fact do they, discriminate against any State.

[Here follow draft articles for a general multilateral fishery regulation convention proposed by the United Kingdom.]

320.22/7-2254 : Telegram

The Secretary of State to the Embassy in the United Kingdom

CONFIDENTIAL WASHINGTON, July 22, 1954—7:47 p.m.
PRIORITY

466. Although replies to circular 5 [1] far from complete indications are that relatively few countries favor discussion shelf and fisheries 9th GA. As to Commonwealth Canada opposes due incompleteness internal views now being resolved through Governmental territorial waters and fisheries study. Australia opposes ground Arafura case makes shelf problem sub judice. South Africa generally favors but cosponsorship would depend general Commonwealth feeling. Remainder Commonwealth unknown. As to Western Europe only Netherlands strongly favors. France Belgium Norway Sweden generally oppose.

Although possible that remainder replies will change picture, present estimate insufficient support get double barreled item on agenda. In US view there is greater reluctance discuss fisheries than shelf. We think might be merit separating two and proposing discussion and adoption shelf articles as drafted by ILC at 9th GA. We contemplate postponement UN consideration fisheries until extensive private discussions held and some agreement reached among important maritime states.

Embassy requested discuss immediately with Fitzmaurice or other appropriate official 1) UK reaction to replies outlined first paragraph and 2) possible alternative of shelf discussion alone; we would contemplate immediately going to governments again with two new questions: would they support discussion shelf alone at 9th GA and would they vote favor ILC articles on shelf substantially as drafted. Does UK think Commonwealth and Western European countries could be persuaded to support this alternative plan? If so we suggest joint approach to these and possibly other governments.

DULLES

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[1] Dated July 2, 1954, not printed.

320.22/8-254 : Telegram

The Secretary of State to the Embassy in Greece [1]

CONFIDENTIAL WASHINGTON, August 2, 1954—4:52 p.m.

278. Your replies CA-7624 cirtel 36 to Latin America [2] were generally favorable and US appreciation should be expressed to government. However after reviewing other replies and discussing procedures with UK who is also vitally interested moving ahead we are modifying program slightly. We contemplate two agenda items rather than one.

We estimate considerable interest discussion substance ILC draft articles continental shelf and their adoption substantially present form Ninth GA. Reluctance discuss substance fisheries articles because multitude technical problems left unsolved in ILC draft articles. However we think present general discussion looking toward future solution these problems by technical as well legal experts may prove welcome. Believe general discussion second committee Ninth GA with emphasis procedural aspects would result agreement have problems considered by special international conference and/or FAO.

Therefore if there is sufficient support US and UK and any others who will cosponsor intend put following two items on supplementary list: "Consideration ILC Draft Articles on Continental Shelf" in sixth committee and "Economic Development Fisheries and Question Fishery Conservation and Regulation" in second committee.

Unless objection perceived Embassy should immediately approach Foreign Office outline above plan stressing different treatment shelf and fishery questions and ascertain definitive answer as possible from Government following questions relating action ninth GA: (1) Willingness vote favor inclusion on final agenda one or both items proposed above if vote taken in GA; (2) Willingness vote favor articles continental shelf substantially as drafted by ILC; (3) Willingness discuss general fisheries problems second committee with view arranging substantive discussion appropriate international body later date; and (4) At Embassy's discretion, willingness cosponsor one or both agenda items as worded above. If firm commitment cosponsor can be obtained government should be requested inform their mission New York of cosponsorship and our intention discuss with them text agreeable explanatory memorandum which must accompany each agenda item submitted. Dutch Government should be informed that number sponsors unknown but probably at least ten on shelf item.

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[1] Sent also to Beirut, Bogota, Ciudad Trujillo, The Hague, La Paz, Managua, Monrovia, Rio de Janeiro, Taipei, and Tehran for action and repeated to London and New York for information.

[2] Circular airgram 7624, June 25, 1954, p. 1697; circular telegram 36 is not printed, but see footnote 5, p. 1701.

Replies should reach Department by telegram if necessary prior August 13 since items must be inscribed on supplementary list prior August 22.

DULLES

320.22/8-1854 : Telegram

The Secretary of State to the Embassy in the United Kingdom[1]

PRIORITY WASHINGTON, August 18, 1954—7:17 p.m.

980. Following is explanatory memorandum relating to the Draft Articles on the Continental Shelf:

"At its Fourth Session the General Assembly recommended that the International Law Commission study the regime of the high seas and the regime of territorial waters (Res. 374(IV)).[2] At its Fifth Session the International Law Commission completed its work on the continental shelf, and it recommended to the Assembly that it give favorable consideration to the draft articles on the Continental Shelf (Doc. A/2456).[3] At its Eighth Session the Assembly decided 'not to deal with any aspect of the regime of the high seas or of the regime of territorial waters until all the problems involved have been studied by the International Law Commission and reported upon by it to the General Assembly' (Res. 798(VIII)).[4]

Since the passage of Resolution 798, a number of events have taken place which lead to the conclusion that it would be desirable for the Assembly to consider and attempt to solve, one at a time, the numerous segments of the very broad general subject of regime of the high seas and territorial waters, as those segments are completed by the International Law Commission. This would seem to accord with the views of the International Law Commission itself, which has recommended consideration of its draft articles on the continental shelf and fisheries.

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[1] Repeated to New York. The telegram was drafted by Bernard Fensterwald, Jr., and Sweeney.

[2] For text, see GA (IV), *Resolutions*, p. 66. The resolution was in the form of a recommendation to the International Law Commission to include the regime of territorial waters in its list of topics to be given priority.

[3] See footnote 3, p. 1697.

[4] See the editorial note, p. 1664.

One thing which has become more apparent since last year is the fact that if the Law Commission is to do its best work on these thorny problems, it will require a number of years to complete its task. For example, in the Report on its latest session, the Commission indicated that it would not be possible for it to reach final decisions regarding the breadth of territorial waters in the immediate future. Consultations with states and further useful deliberations on the part of the Commission will probably consume several more years. Hence this one aspect of the regime of the high seas and territorial waters may well require several years before final recommendations can be sent by the Commission to the Assembly. Moreover, the problems of fisheries and contiguous zones are far from solution. In addition, the problem of the regime of the high seas and territorial waters contains the following sub-items on which little or no work has yet been done by the Commission: nationality of ships, collision, safety of life at sea, the right of approach, slave trade, submarine telegraph cables, and the right of pursuit. It seems certain that their completion will require an additional number of years. Meanwhile, the number and intensity of international disputes relating to high seas and territorial waters seem to be increasing. Hence the need for agreed solutions for these problems or any part of them is apparent.

Although pure logic might seem to indicate that all of these problems can better be solved simultaneously, international law has frequently been advanced only by concentration and agreement on one small segment at a time. Frequently the process is one of reaching agreement on the less controversial segments first, and only then attempting to solve the more controversial aspects. The multisided field of the law known as the regime of the high seas and territorial waters may well be a good example of an instance in which such a process will prove very useful. Also, it may be an instance in which the reverse process of simultaneous consideration of all segments might prove completely unworkable. At best simultaneous consideration will greatly delay settlement of all of the problems in this field.

For example, there does not seem to be any basic disagreement among nations as to the conclusions reached by the International Law Commission concerning the exploration and exploitation of the resources of the continental shelf. On the other hand, there is nothing to indicate that there will be general acceptance of any solution of the question of breadth of territorial waters which might ultimately be recommended by the Law Commission. Since the whole project of regime of the high seas and territorial waters contains a number of controversial problems, the solution of the less controversial should not be tied to the solution of the more controversial. Such a process might delay indefinitely the solution of the whole project.

It has been argued that since the various segments of the problem are inter-related, it will be impossible to solve one segment without prejudging or prejudicing the other segments. However, this difficulty can be overcome by disclaiming specifically any such prejudgment or prejudice. For example, in the final Assembly resolution relating to the draft Articles on the Continental Shelf, a preambular paragraph could be inserted to the effect that: 'these articles do not purport to prejudge or prejudice future decisions relating to such matters as base lines for territorial waters, the width of territorial waters, and fishery resources of the superjacent waters.' Such a technique should reassure those states which have expressed a fear that the solution of one segment will prejudice the solution of another.

For the above reasons, the co-sponsors believe that consideration of the Law Commission's draft Articles on the Continental Shelf by the Assembly should not be postponed for an indefinite, and possibly great, number of years. However, since a number of governments have indicated that they would prefer to study the draft articles further before reaching conclusions in relation to all of their details, it is believed desirable to delay substantive consideration of them until the Tenth Session of the Assembly. This additional year should provide sufficient time for thorough study by all governments. The co-sponsors believe that in order to avoid undue delay the Assembly should decide at its Ninth Session to place on the provisional agenda of its Tenth Session the question of substantive consideration of the draft Articles on the Continental Shelf."

Following is explanatory memorandum relating to Economic Development of Fisheries and Question of Fishery Conservation and Regulation.

"As part of its work relating to the regime of the high seas and territorial waters, the International Law Commission drafted Certain Articles on Fisheries (A/2456,[5] p. 17). These draft Articles are the result primarily of consideration of the legal aspects of high seas fisheries. It is the view of a number of states that these draft Articles do not adequately meet certain very important technical problems of the world fishing industry. In recommending the drafting and consideration of international conventions relating to conservation of fisheries, the Law Commission itself stated: 'The matter is of a technical character; as such it is outside the competence of the Commission.'

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[5] See footnote 3, p. 1697.

At its Eighth Session, the Assembly decided 'not to deal with any aspect of the regime of the high seas or of the regime of territorial waters until all the problems involved have been studied by the International Law Commission and reported upon by it to the General Assembly.' (Res. 798(VIII)). This process may consume a great number of years. Meanwhile the number and intensity of fisheries disputes might well continue to grow and remain unsolved.

It is believed that the philosophy underlying Assembly Resolution 798 is that the International Law Commission and the General Assembly can solve at one time all of the complex problems arising out of the regime of the high seas and territorial waters. Without putting in issue the wisdom or the validity of this philosophy, the question of high seas fisheries presents a number of special problems which are probably capable of solution by the Law Commission and the Assembly only with the assistance of an outside body. These problems are in large measure of an economic and technical character, particularly as they relate to conservation. Even assuming that the Assembly will wait a number of years before discussing any draft Articles on Fisheries, such a discussion by the Assembly of these Articles on Fisheries would probably not be productive unless the Assembly has before it the views of fisheries experts on the problems. No reason can be seen for delaying the meeting of such experts until or after the Assembly discussion. Conversely, it is felt that it is logical to have them meet as soon as possible in order that their conclusions can be forwarded to the Assembly promptly and without necessitating a delay in fruitful Assembly consideration of fisheries problems.

The co-sponsors suggest to the General Committee and the Assembly that this item on fisheries be sent to the Second Committee since it is economic development of fisheries and problems of fishery conservation and regulation that need consideration. The co-sponsors believe that after the discussion of the problem, a resolution should be adopted whereby problems of the economics and conservation of high seas fisheries would be referred either to the Food and Agriculture Organization or to a special governmental conference of experts for consideration and recommendations. The co-sponsors do not wish to submit a draft resolution at this time, because they feel that many useful points will be made in the course of discussion, and that the appropriate resolution can more easily be drafted at the conclusion of such discussion."

DULLES

Editorial Note

For an article by Rear Admiral H. C. Shepheard of the United States Coast Guard and John W. Mann, Acting Adviser on Shipping in the Office of Transport and Communications Policy of the Department of State, concerning the International Conference on Pollution of the Seas and Coasts, held at London April 26–May 12, 1954, see the Department of State *Bulletin,* August 30, 1954, page 311.

L/SPF files, lot 68 D 47, "Memoranda and Articles—Territorial Waters"

Memorandum by the Legal Adviser (Phleger) to the Secretary of State

CONFIDENTIAL WASHINGTON, November 26, 1954.[1]

Subject: Effective Defense of the Principle of Freedom of the Seas

Discussion:

It is the traditional policy of the United States to support the principle of freedom of the seas. Such freedom is essential to its security, commercial and fishing interests. The principle is under serious attack. A growing number of states, including friendly states, are claiming control of extensive areas of adjacent seas heretofore considered high seas by the process of extending their territorial waters.

The detrimental effect of a claim by a given country to territorial waters in excess of the traditional three miles cannot properly be assessed by considering it by itself or within the narrow context of our established political or commercial relations with that country. Each claim contributes to the deterioration of the principle, and the point has been reached where the cumulative effect of these new claims is a threat to the principle itself. What is in issue each time is not only freedom in a greater or lesser number of square miles of water in a given area, but the freedom of United States vessels and aircraft the world over. United States interest in the principle cuts across geographical boundaries and established patterns of political policy.

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[1] The editors are of the opinion that this document may not be correctly dated on the carbon copy used as the source text. This opinion is based on paragraph 9 in the attachment, which discusses the international technical conference to be convened at Rome "as a result of the action taken at the last General Assembly of the United Nations". This action was taken by the Assembly on Dec. 14, 1954, more than 2 weeks after the date on Phleger's memorandum.

Effective defense of the principle calls for a course of action determined by taking into account all of the developments in the field and judging them from a global point of view. This points to centralized handling by one office in the Department having overall responsibility in the matter. Effective defense of freedom of the seas also requires expert knowledge of the complex of legal problems embraced by the principle such as determination of baselines, width of territorial waters, jurisdiction in contiguous zones, and exploitation of the resources of the continental shelf and superjacent waters in a manner consistent with their status as high seas.

In 1950 the British Government expressed the desire for informal talks on the subject of territorial waters and related matters.[2] The Legal Adviser of the Foreign Office and two associates from the Admiralty came to Washington for that purpose. The Secretary assigned responsibility for the conduct of the talks to the Office of the Legal Adviser. In 1953, at the request of the British Government, further talks were held in London and an assistant legal adviser of the Department represented the United States. L has continued, in practice, to exercise a large measure of responsibility in the subsequent efforts to develop and maintain the United States position and to protect United States interests in this field.

Recommendation:

It is suggested that, in view of the increasing need for urgent and determined action on our part in this field, L's responsibility be confirmed and made known to the whole Department. Of course, there would be consultation with the appropriate political and other officers.

[Attachment]

STATEMENT OF POLICY OF THE UNITED STATES ON FREEDOM OF THE SEAS

1. It is the traditional policy of the United States to support the principle of freedom of the seas. Such freedom is essential to its national interests. The effective defense of its security, the maintenance of its pre-eminence in commercial shipping and air transport, and the prosperity of its fishing industry would all be hampered by any serious compromise of the principle of freedom of the seas. It is unnecessary to discuss the whole complex of naval and economic warfare to show that the value to the United States of the world's greatest navy is lessened if large areas of high seas are

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[2] For text of the letter of June 23, 1950, from the Second Secretary of the British Embassy to Ranney, see *Foreign Relations*, 1950, vol. I, p. 876.

removed from the region of war. It is sufficient for this paper to point out that such areas thus become safe havens in which enemy naval and merchant vessels are immune from destruction or capture and in which suspected neutral merchant vessels are free from belligerent examination. It is likewise unnecessary to do more than point out that sea lanes and air routes free from national prohibitions or restrictions are a decisive factor in commercial shipping and air transport. Finally, the effect on American fishing operations of attempts by coastal states to close off large areas of the high seas is being impressed upon us every day by what is happening in Latin America.

2. Freedom of the seas is under serious attack. The attacks take various forms. Some states increase the area of their inland waters by defining their seaward limit by the method of drawing straight lines from headland to headland on the coast and then from this base-line, which may be many miles out at sea, measuring the width of their territorial waters. Many states simply extend the width of their territorial waters by decree or other unilateral act. More recently, a favored technique has been for states to claim exclusive control of the waters over their continental shelf and beyond their territorial waters. Whether those methods are used separately or in combination, excessive claims are not uncommon, and there are several instances of claims to territorial waters to a breadth of two hundred or more miles from the coast.

3. The concern of the Department of State with this development led to the formulation in the spring of 1953 of a study entitled "National Claims in Adjacent Seas", which was cleared by the Departments of Commerce, Defense, Interior, Justice, and Treasury. It is attached as an Appendix.[3] The first section of the study analyzed the gradual deterioration of the principle of freedom of the seas. The second outlined the policy to be followed by the United States in the matter: continued opposition to claims to control of the high seas and concerted action with nations having a like interest.

4. Although numerically more countries have departed from the three-mile rule than still adhere to it, the latter including the British Commonwealth, most of Western Europe, Germany, Japan and the United States represent not only most of the powerful states of the world but according to estimates made by the late Geographer of the Department they represent about 80% of the total registered merchant shipping tonnage of the world. They also represent practically all the naval power there is outside of the Soviet bloc. These facts are eloquent indication why a number of small states are more interested in establishing a legal right to the resources of the

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[3] See the attachment to Phleger's memorandum, Mar. 19, 1953, p. 1675.

sea off their coasts than they are in maintaining the freedom of seas which they do not use.

A major difficulty in the effective implementation of the policy of continued opposition to claims to control extensive areas of the high seas has been the fact that the proponents of such claims include many nations with which we have or want friendly relations or even closely integrated defensive and diplomatic policies. For example, the states applying the straight line method to the determination of their base-line of territorial waters include, *inter alia*, Iceland, Norway, Saudi Arabia and Yugoslavia. Those claiming breadths of territorial waters in excess of three miles include, *inter alia*, Egypt, Greece, Italy, Iran, Spain, and Turkey. Those claiming some form of control over the waters superjacent to their continental shelf include the Republic of Korea and a number of American states, such as Argentina, Brazil, Chile, Ecuador, Panama, and Peru.

5. With respect to these countries, the United States has to balance its interest in freedom of the seas against its political interests. The general objective is to maintain the traditional position of the United States on the freedom of the seas but to avoid action which would jeopardize political relationships. The problem in each case is to determine how much weight should be given to our interests in freedom of the seas, how far the United States can lean on the side of these interests as against the risk of disturbing the others.

6. The more recent practice of the United States generally has been to avoid assuming risks of political friction for the sake of its interests in freedom of the seas. It has not geared its actions to the degree of danger presented to United States interests in freedom of the seas by the claims involved. Rather it has taken, as a rule, the minimum remedial action available, and has even desisted on occasions from opposing a claim at all or from defending its own interests in freedom of the seas when offered a legitimate forum to do so. Thus, it was persuaded not to protest the extensive claims made by Iceland in 1948, and to forego in 1953 supporting in the Sixth Committee of the General Assembly of the United Nations consideration of proposed articles on the continental shelf, submitted by the International Law Commission pursuant to the directives of the General Assembly, which articles fully supported the United States position on freedom of the seas.

7. This policy has been based on the implied assumption that it should be adequate to make a record, by a *pro forma* protest or otherwise, of our position with respect to freedom of the seas. Practice shows the assumption cannot be maintained any longer. The claims made by friendly states, added to those of the Soviet bloc

and others, continue to gather a cumulative effect which is well on the way to reduce the strength of the principle of freedom of the seas to the danger point, and the United States is now being faced with situations where it has no choice but that of accepting the risks of friction if it is going to continue its defense of freedom of the seas. Iceland, whose claims in 1948 were directed to the extension of its base-line further out to sea, does not appear to preclude a claim to all the waters above its continental shelf as territorial waters. Our protests against the claims of South American States, apparently considered by such states as little more than *pro forma* actions, are not deterring Chile, Ecuador and Peru from planning concerted action to enforce their 200 miles claims and the planes and ships of Peru's navy have apparently attacked the boats of a foreign fishing fleet within the waters covered by its claims. The special conference on the submarine shelf and related problems planned to be called in 1955 or 1956 by the Organization of American States threatens to be the occasion for further coalescing of South American policies in the matter, contrary to United States interests. United States efforts at the last General Assembly of the United Nations to obtain a reversal of the 1953 decision of the Assembly not to consider the articles on the continental shelf recommended by the International Law Commission, and to have these articles placed on the agenda of the 1955 session were unsuccessful and thus we lost a strong argument to prevent the convening in 1955 of the proposed conference of the Organization of American States on the submarine shelf. Instead the Assembly by resolution requested the International Law Commission to devote the necessary time to the study of the regime of the high seas, the regime of territorial waters and all related problems in order to complete its work on these topics and submit its final report in time for the General Assembly to consider them as a whole and decided to include the final report of the International Law Commission on these topics in the provisional agenda for the 11th session of the Assembly (1956). As a result, all of the related drafts of the International Law Commission on determination of base-lines, breadth of territorial waters, contiguous zones, and continental shelf will come up for discussion at the same time. Instead of being able to divide its opponents and, if at all possible, win or neutralize one of the issues at a time, the United States will then confront a coalition of opponents welded together, despite the variety of their claims, by their opposition for one reason or another to freedom of the seas.

8. The United States, in the circumstances, must modify its policy to take into account the constant deterioration of its position with respect to freedom of the seas, and stengthen its support of

the principle to the maximum possible extent consistent with its political and defense policies.

9. In doing so, primary attention must be given to the fact that many coastal states are genuinely concerned about the possible depletion of fishery resources of the seas off their coasts through over fishing by foreign interests, and that their claims to large areas of such seas are motivated by a desire to reserve such resources for themselves. The international technical conference on conservation of the living resources of the sea to be convened at Rome in April 1956 [*1955*] as a result of action taken at the last General Assembly of the United Nations affords the United States a major opportunity to contribute to the solution of fishery conservation problems through international agreement. A constructive effort in that direction could do much toward maintaining the United States position on territorial waters and freedom of the seas. It is perhaps not too much to say that a satisfactory solution of fisheries problems would cause most of the more extreme claims in those areas to disappear.

10. At the same time, realistic recognition must be given to the fact that our interests in freedom of the seas and the interests of many of the countries involved are opposite. From such a conflict of interests some friction is bound to develop. It necessarily exists the moment a claim adverse to freedom of the seas is made, simply because the action is taken in the face of the known adverse interest of the United States. To desist from opposition to such claims or to oppose them only *pro forma*, on the ground that we cannot afford friction harmful to our friendly relations with the states involved, would be to give up our interests in freedom of the seas and to place a greater value on the friendship of the states involved than they place on ours.

11. In determining to what extent the United States must assume the risk of friction inherent to the situation, much greater weight must be given to the interests of the United States in freedom of the seas than has heretofore been the case. The risk of friction must, of course, be kept to a minimum and considerable effort must be made to conciliate the political considerations involved in each case. But, it is the seriousness of the foreign action involved, expertly analyzed in the light of its effect on freedom of the seas and the extent to which the over-all interests of the United States in such freedom are jeopardized, which must determine to what extent the assumption of such risk may be necessary.

12. The United States must continue to rally as actively as possible the support of states having a like interest in freedom of the seas, and to promote with their help consideration by the United Nations of the drafts prepared by the International Law Commis-

sion on the basis most favorable to United States interests in freedom of the seas.

Editorial Note

The General Assembly, on December 14, 1954, passed two resolutions, 899 (IX) dealing with "Draft Articles on the Continental Shelf" and 900 (IX) calling for an "International Technical Conference on the Conservation of the Living Resources of the Sea". The former states in substantive part that the General Assembly:

> "1. *Requests* the International Law Commission to devote the necessary time to the study of the regime of the high seas, the regime of territorial waters and all related problems in order to complete its work on these topics and submit its final report in time for the General Assembly to consider them as a whole, in accordance with resolution 798 (VIII), at its eleventh session;
>
> "2. *Decides* to include the final report of the International Law Commission on these topics in the provisional agenda for the eleventh session of the General Assembly [i.e., in 1956]."

In the second of these resolutions, the Assembly requested the "Secretary-General to convene an international technical conference at the headquarters of the Food and Agriculture Organization of the United Nations on 18 April 1955 to study the problem of the international conservation of the living resources of the sea and to make appropriate scientific and technical recommendations which shall take into account the principles of the present resolution and shall not prejudge the related problems awaiting consideration by the General Assembly".

The full texts of these resolutions are printed consecutively in United Nations, *Official Records of the General Assembly, Resolutions Adopted by the General Assembly during Its Ninth Session from 21 September to 17 December 1954*, pages 50 and 51.

320.22/12-2154

The Under Secretary of State's Special Assistant for Fisheries and Wildlife (Herrington) to the Assistant Under Secretary of State in the British Foreign Office (Fitzmaurice)

CONFIDENTIAL WASHINGTON, December 21, 1954.

DEAR SIR GERALD: I have just returned to Washington following approval by the General Assembly of the continental shelf and fisheries resolutions and participation in several meetings with representatives of the Secretary General to lay the groundwork for the coming international conference on conservation of living resources of the sea. I am taking this opportunity to acquaint you with some of the highlights of the negotiations, as I saw them, and to discuss ways and means of coordinating our activities in preparation for the coming conference.

The negotiation of the fisheries resolution developed some interesting angles with the various co-sponsors taking an increasingly active part as they became better informed concerning the issues involved. Mr. Evans performed ably in your absence but on a number of occasions I missed your informed and extremely able support. I particularly remember how well you handled the points raised by Mr. Andersen during the meeting of the co-sponsors.

With respect to the continental shelf item, I thought we came out not too badly owing, in considerable measure, to the assistance of the Chairman, Ambassador Garcia Amador, and the forebearance of Mr. Andersen. After the first round or two of statements it was obvious that the co-sponsors had a rather solid line-up against us. If the Chairman had called for a vote at that stage or if Mr. Andersen had insisted on a vote, we would have been badly defeated. However, as a result of the Chairman limiting committee meetings to short sessions and arranging for informal discussions between the representatives of the sponsors of the resolution and sponsors of the amendments, the compromise was worked out and agreed upon by a wide majority. From our point of view, this compromise is not too bad since it sets a definite time in the not too distant future for completion of the International Law Commission report and consideration by the General Assembly. Later, in our negotiation of the fisheries question, the 1956 deadline was instrumental in getting agreement on the final fisheries resolution.

Developments with respect to the fisheries item were quite interesting. The resolution on the shelf, reaffirming the oneness of the topic of the regime of the continental shelf and regime of the high seas, was approved only a short time before the fisheries item was taken up. As a consequence, the opening United States statement was a bit out of line since it proposed settling the fisheries question separately from the other items included in the general topic. However, this worked out reasonably well later on. When we conceded this point (to which we were already committed by our vote on the continental shelf), it was taken by the opposition as a major concession on our part which assisted in getting agreement on the final resolution. As we realized, the title of our resolution "Economic Development, etc." did not very accurately fit the actual contents and provided a broad target which drew comments such as "a package had been offered to the Committee under the label of a box of chocolates, which turned out to contain quite different contents", and references to a trojan horse. These were later brought together by the Soviet delegate in a statement that the co-sponsors had offered the Committee a package labelled "chocolates" which when opened turned out to contain a "trojan horse."

The second day's discussions were led off by Mr. Andersen followed by others of the co-sponsors, including Mr. Evans and Professor Roling,[1] which served to somewhat reduce the apprehensions of those states not interested primarily in preventing or delaying United Nations action. A group of South American states then proposed amendments which were presented the following Monday morning. From the beginning, I had anticipated that we would have no difficulty in getting a majority to favor the general idea of a technical conservation conference, since we had received enough assurance of support to make that reasonably certain. The principal dangers were plausible amendments which would provide for delay in the time of the meeting or narrow the terms of reference so as to make it difficult for the conference to accomplish the desired objectives. The amendments as submitted essentially boiled down to these two items. One would have delayed the meeting until August, which would have made it too late to put it on the agenda of the 1955 General Assembly; the other somewhat narrowed the terms of reference by eliminating "regulations" from the references and stressing the scientific and technical.

After a meeting between the representatives of the co-sponsors and the sponsors of the amendments, followed by a meeting of the co-sponsors, a second informal meeting was brought to agreement by a proposal made by Professor Roling which he had discussed with Dr. Castañeda, Delegate of Mexico. This was based on the reasoning that the technical conference should report to the next meeting of the International Law Commission so that the Commission would have an opportunity to consider this report, to modify its fisheries recommendations if such modifications were indicated, and to submit these modifications to governments and get their comments back in its hands in time to prepare its final report for the 1956 meeting of the General Assembly. This proposal was supported by Mexico and Cuba but opposed by Colombia. However, when Costa Rica was won over to support this idea, the representatives of Chile and Peru apparently recognized that their position had been so weakened that they would be unable to hold a solid block of South American states in opposition to the proposal. They therefore reluctantly agreed. As a last gesture, the representative of Peru proposed the term "living resources of the sea" as a substitute for "fisheries". I am not sure that he fully understood what this difference would make. However, it has generally been interpreted by other members of the Committee as a chance to provide for the inclusion of such animals as whales and fur seals. No one has suggested any international problems concerned with conservation of sea weeds.

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[1] B. V. A. Röling, member of the Netherlands Delegation at the United Nations.

The agenda I suggested has been tentatively approved by the group in New York with only minor changes. I am enclosing a copy representing the suggestions as they left the meeting on December 18. I am also including a copy of suggested annotations.[2]

It is planned to obtain background conference papers covering the agenda but to keep them to a minimum. It has been tentatively agreed to request Mr. Michael Graham of the United Kingdom to prepare a paper on the first agenda item. Dr. Schaefer, Director of the Inter-American Tropical Tuna Commission, will be requested to prepare a paper on the second item. I expect that Dr. Kask and I will be asked to collaborate in preparing a paper on item 3(a) and FAO to prepare a paper on 3(b). In addition, the various governments will be invited to submit such papers as they see fit bearing on the various items and sub items of the agenda. Final decision on the agenda and background papers will be made at the January 10 meeting of the technical advisory committee and invitations issued immediately. It would be helpful if you let Mr. Graham know of the probable invitations as soon as possible so that he can be getting his thoughts in order. If he is reluctant to undertake the task, I hope that you can use your influence since it is important that we have a sound paper to start off with and all agreed that he is the obvious choice to prepare it.

In my opinion, it is very important that the co-sponsors of the resolution leading to this conference, and representatives of other interested countries, develop agenda papers in such a way as to lead to the conclusions that we are seeking. In view of the short time we have for preparation, this will take a considerable degree of coordination. In order to facilitate this, I have in mind the possibility of coming to Europe the latter half of January to discuss these matters with the interested people in your country and other concerned European and Scandinavian governments. Mr. Andersen has suggested a meeting with the representatives of the Scandinavian countries separately from those of the other European countries. This matter is therefore being taken up with these countries to see if they would be interested in arranging such a meeting. I would particularly like to discuss the general subject with Mr. Graham.

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[2] Neither found attached to the source text.

I particularly enjoyed this final informal meeting since by this time the co-sponsors were sufficiently well organized and informed so that the actual promotion work was done almost entirely by Professor Roling, Mr. Andersen and Chairman Garcia, with the United States and the United Kingdom saying practically nothing.

The principal problem posed by the final resolution is that it requires the conference to convene by April 18, 1955, leaving an unusually short period for organizing the conference and preparing papers. However, this appeared to be the only solution and in discussions with the Secretariat it was agreed that it could be done if the interested parties gave the matter prompt attention. If anything, it gives the advantage to those countries which are coordinated and know where they wish the conference to go. The changes in the resolution, somewhat narrowing the terms of reference, have made it necessary to consider how the conference might be handled so that it will lead to the conclusions we had in mind. I therefore worked out suggestions for an agenda which I discussed with Mr. Andersen and Mr. Ozere of Canada, with which they agreed. I then arranged a meeting with Dr. Rosenborg, to whom the Secretary General has delegated responsibility for making arrangements for the conference. This meeting included Mr. Andersen, Chairman Garcia, Dr. Castañeda of Mexico, Dr. Kask and Mr. Ozere of Canada, and myself. I suggested that the Secretary General appoint a committee of technically competent people to assist him in arranging an agenda, background papers, and guidance during the conference. In the course of this and several later meetings, it was suggested that this group might be made up of Dr. Fredrickson, Secretary General of the International Council for the Exploration of the Sea; Dr. Schaefer, Director of the Inter-American Tropical Tuna Commission; Dr. Kask, Chairman of the Fisheries Research Board of Canada; Dr. B. N. Chopra or Mr. Boon Indrambarya of the Indo-Pacific Fisheries Council; Dr. D'Ancona of the Mediterranean Fisheries Council, Dr. Von Bonde of South Africa, Mr. Vecorina or Mr. Solar of Peru, and Dr. Finn of FAO. I did not suggest anyone from the United States or United Kingdom, feeling that it might be better for us to operate in the background. It would also keep us free to work with the co-sponsors in developing an effective plan for a coordinated approach to the conference. Tentative plans will be developed before Christmas by such members of this Committee as can be brought together. It will be finalized at a meeting of the full committee called for the 10th of January.

I would like to have your ideas concerning the desirability and possibility of meeting together with representatives of the other European countries primarily interested in this matter, particularly the United Kingdom, the Netherlands, Belgium and France. I would greatly appreciate having your suggestions in this matter. In view of the short time available it will be necessary to proceed as expeditiously as possible.

Sincerely yours,

WM. C. HERRINGTON

320.22/12-3054 : Airgram

The Secretary of State to the Embassy in the United Kingdom

CONFIDENTIAL WASHINGTON, December 30, 1954.

A-539. Subject: U.N. Fisheries Resolution. Reference is made to the approval by the Ninth General Assembly of a resolution sponsored by the United States, the United Kingdom, and a number of other countries providing for the convocation, under the auspices of the United Nations, of a specialized technical conference on high seas fisheries at Rome on April 18, 1955. The United Kingdom, in addition to being a co-sponsor, was one of the principal movers of the project, having been consulted at length by the United States at London during July, 1954 following origination of the idea by the United States.

As is well known to the British authorities concerned, the primary purpose of the conference is to set in motion world-wide consideration of the problems and principles of high seas fisheries conservation and management and thus remove this subject to the maximum possible extent from regional forums with extreme views and, in particular, from the area of individual state action. It is hoped that through the medium of a world-wide meeting involving the exchange of views and experience of the most qualified persons in this technical field, agreement upon an adequate and acceptable set of international procedures and principles can be promoted with some ameliorating effect upon the present trend toward individual, arbitrary state action.

The co-sponsors of the U.N. fisheries resolution in question, and other states whose interests in the problem are closely identified with those of the United States, will have to take the initiative in making a strong and plausible argument that an adequate and satisfactory fishery conservation program can be developed through cooperative design without the necessity of resorting to unilateral claims. The United States, as a leading and experienced nation in fisheries conservation, together with the United Kingdom, undoubtedly will have to carry the major share of the burden of presenting the case for the principles we would wish the conference to further. To facilitate our role in this respect, it is considered desirable to arrange prior individual or joint consultations with the United Kingdom and other co-sponsors and supporters in the development of a common plan or approach at the conference. In this connection, we may be sure that certain opposition groups of states, especially in Latin America, will be aligning themselves against any conference recommendation which would undermine the proposition of "fishery conservation through ownership."

The Department is prepared to authorize a representative to undertake such advance consultation or consultations with the appropriate countries. However, it would like to have the view of the British authorities as to how, when, and where it should be arranged. Moreover, the United Kingdom's opinion on which particular countries it feels should be approached for this purpose would be appreciated. The timing would seem to depend on whether one or more multilateral sessions can be arranged to cover all the states to be included, or whether a number of individual states would have to be visited. In view of the April 18, 1955 commencement date set for the conference, this advance consultation should probably be completed by the end of January. Since a number of Western European countries are involved, their convenience would suggest a meeting place in that vicinity in case multilateral sessions can be arranged.

A letter is enclosed to Sir Gerald Fitzmaurice from Mr. Herrington,[1] covering developments in the U.N. after Sir Gerald returned to the U.K. The question of arrangements for informal discussions is also discussed.

If it sees no objection, the Embassy is requested to deliver this letter to Sir Gerald, keeping the copy for its files, and to take up the contents of this instruction with the Foreign Office on an urgent basis.

DULLES

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[1] The reference letter, dated Dec. 21, 1954, is printed *supra*.

UNITED STATES POLICY WITH REGARD TO ANTARCTICA[1]

Editorial Note

Throughout 1952, officials of the Departments of State and Defense intermittently considered and discussed the issue of national claims in the Antarctic area. In April 1953, the Department of State took the lead in inviting other agencies to participate in formal, ongoing discussions of Antarctic policy through the formation of two interagency groups. As a result, two groups were formed. The Technical Group on Antarctica was charged with arriving at an accurate determination and description, for use mainly within the government, of all Antarctic localities to which possible United States claims might plausibly be advanced. The *Ad Hoc* Group on Antarctica agreed at its First Meeting on April 23 that the central problem to be faced was to "determine precisely the nature and extent of U.S. objectives in the Antarctic." Documentation on the development of interagency working groups on the Antarctic is in the basic Antarctic central file 702.022.

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[1] For previous documentation on this subject, see *Foreign Relations*, 1951, vol. I, pp. 1715 ff.

031.1102/4-753

Memorandum by the Deputy Assistant Secretary of State for European Affairs (Bonbright) to the Deputy Under Secretary of State (Matthews)[1]

SECRET

WASHINGTON, April 7, 1953.

Subject: Department's Preliminary Position on Proposed Antarctic Expedition

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[1] Drafted by Grant G. Hilliker of the Office of British Commonwealth and Northern European Affairs. A covering memorandum to Deputy Assistant Secretary Bonbright from Frederick E. Nolting, Special Assistant to the Deputy Under Secretary of State reads: "Mr. Matthews concurs in the recommendation of the attached memorandum. He has asked me to follow up on any action with Defense that you may wish this office to undertake."

Problem

To determine the Department's position concerning the request of February 25 from Mr. Finn Ronne[2] (Commander, USNR, and leader of a private expedition 1947-48) for the Department's support for his proposed Antarctic expedition. The question divides into (1) whether it should favor the proposed project, and (2) if so, whether it would be advantageous to give it official sponsorship. A third question of a tactical nature concerns how the Department's position should be expressed.

Discussion

Any American expedition would convey certain benefits through its strengthening of United States rights in the area as a whole and its acquisition of scientific data unavailable anywhere else. Against these factors must be weighed the potential cost to the Government and the fact that any expedition would increase tension with other interested powers. All of these factors would become more important in the event that the expedition should be officially sponsored.

Because of the commendable record of Mr. Ronne and the location of the area in which he plans to operate, the favorable factors appear at this time to greatly outweigh possible objections. In any event, strong political grounds for objecting to the expedition do not exist and it is very likely that Mr. Ronne could organize the expedition without the support of the Department. Until the views of other Government agencies, including the Defense Department, become known, the question of possible official sponsorship is difficult to decide. Even thereafter it will be important for the Department not to become involved in inter-service or personal rivalries concerning the expedition.

A fuller discussion of these considerations is attached.

Recommendation

It is recommended that for the present Mr. Ronne be informed that the Department has no objections on political grounds to his proposed expedition and that he will wish to sound out other departments, particularly Defense.

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[2] A copy of the memorandum of conversation between Finn Ronne and members of the Department of State on Feb. 25, 1953, is in Department of State file 031.1102/2-2553. Ronne was a leading Antarctic explorer of the 1930's, 1940's, and 1950's. He served in the Second Byrd Expedition of 1933-1935, headed his own private expedition to Antarctica in the winter of 1947-1948, and led that portion of the Operation Deepfreeze II expedition of 1956-1957 that established Ellsworth Station in the Wedell Sea area of the Antarctic.

[Attachment]

Paper Prepared in the Bureau of European Affairs[3]

SECRET WASHINGTON, [undated.]

DISCUSSION OF CONSIDERATIONS AFFECTING THE DEPARTMENT'S ATTITUDE TOWARD THE PROPOSED EXPEDITION

The benefits to be gained from a U.S. Antarctic expedition relate primarily to the maintenance and strengthening of the bases for possible U.S. claims, which inevitably would result from additional U.S. activities in the area. Official sponsorship would tend to enhance this effect, if only because it would imply continued official interest in preserving U.S. rights.

In addition, a general advantage resulting from further expeditions in the Antarctic, particularly in the unexplored area, would be the acquisition of scientific knowledge unobtainable anywhere else. In such fields as meteorology, long-range communications, cosmic ray studies, et cetera, the data available in the Antarctic has immediate significance even in the temperate zones. The Ronne expedition will be directed at the satisfaction of the most urgent scientific needs as outlined in the 1948 study prepared for the Department by a Special Committee of the National Academy of Sciences. Moreover, Ronne has a commendable record of accomplishment on previous expeditions and, consequently, a solid reputation both here and abroad.

There are several arguments against encouraging any Antarctic expedition from the United States. Two factors which exist more or less independently of time and circumstances are (a) the likelihood that any U.S. activity in the Antarctic would produce or increase international tension with either the present or the potential claimants to territory there and (b) a certain unavoidable expense to the Government, whether the expedition is official or private. Since the cost to the Government in the present project presumably would come from existing funds or special appropriations for other Government agencies, this potential obstacle need not be given special weight in the Department's preliminary decision.

As regards the risk of increased international tension, the area selected for the Ronne expedition is one of the two or three in the whole Antarctic in which activity by the United States would be least likely to arouse unfavorable reaction abroad. This results from the fact that the areas in which Ronne proposes to locate his base and carry on explorations both are almost wholly unexplored and, on the basis of past experience, are regarded as highly inaccessible from the sea. Moreover, the base area, although within the eastern boundaries of the conflicting British and Argentine sector claims, is not known to be an area of great interest for them. Explorations would be made in the hinterlands of these and the Norwegian and Australian claims.

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[3] Drafted by Hilliker, with the concurrence of the Bureau of Inter-American Affairs, the Assistant Legal Adviser for Inter-American Affairs (Whiteman), and the Office of the Special Adviser on Geography, Bureau of Intelligence and Research.

The inaccessibility of the specific areas selected for the expedition may, however, raise certain other objections. Because of hazardous ice conditions, any expedition to the Weddell Sea area must reckon with the possibility of complete failure or at least the chance of miscalculation requiring rescue operations. On the other hand, overcoming such dangers could bring correspondingly greater credit for achievement to a U.S. expedition.

All of the foregoing objections to an expedition tend to have increased weight if the expedition is official.

Since the area selected for exploration is presently little known and away from the area of earlier U.S. explorations, further expeditions there would tend also to expand the bases for any future U.S. claims. Such a result might be preferred by those who foresee an eventual U.S. claim taking in the larger part of the Antarctic Continent and who tend to minimize even the claims of our allies.

On the other hand, some indirect benefit would accrue even though we might never claim the areas Ronne plans to explore. Whatever U.S. activity is undertaken in the Antarctic ought to be planned with a view to reinforcing the bases for the type of claim we intend to make, i.e., intensive or extensive, but this issue is not yet fully resolved between State and Defense.

Antarctic expeditions in the past have sometimes been the subject of personal rivalries among certain of the experts in this field. While this is probably insufficient reason for opposing any expedition, it is a factor requiring careful attention in any effort to avert personal or inter-service clashes, which in public would seriously damage the U.S. reputation and even in private would impair the ability of the Government to act according to the merits of the matter.

The question of the Department's opposing the Ronne expedition can be considered largely academic, in view of the likelihood that Ronne would be able to obtain sufficient material support for his expedition both within the Government and from private sources even if the Department should oppose it. In any case, our only grounds for possible strong opposition—political considerations—are not compelling in this instance. The remaining factors outlined above, taken together, weigh heavily on the side of at least permitting the expedition to proceed and perhaps even giving it our wholehearted support. The decisive factor in choosing between the latter alternatives should be the seriousness of our intention to maintain and strengthen the bases for U.S. claims in the future.

On the basis of recent correspondence, the Defense Department appears to favor action to strengthen and possibly extend the bases for claims. While the Department of State last year reached a decision favoring an early announcement of an official claim, it is questioned whether the United States should aim to acquire, in competition with friendly powers, control over the major portion of the Antarctic. However, since the proposed expedition would add, even if indirectly, to the strength of existing U.S. rights in the Antarctic, it is not considered advisable to allow differences of emphasis between this Department and Defense to interfere with Ronne's plans.

The question of official sponsorship of the expedition may depend to a large extent on the actual or potential availability of funds to finance the entire project. It is therefore not a matter upon which the Department can make a final decision before it knows the positions of the other agencies involved. Until the time is ripe to consult the other agencies, it would be particularly unwise to reveal a strong attitude of approval which might not be shared by all the services concerned. In the consideration of our eventual position on the question of official sponsorship, however, attention should be given to the advantage of being able, through official sponsorship, to direct the activities of the expedition in accordance with policy objectives and, conversely, the risks inherent in permitting a private expedition, even under a responsible leader like Ronne, to proceed without effective official control.

031.1102/5-2054

Memorandum of Conversation, by the Director of the Office of British Commonwealth and Northern European Affairs (Raynor)[1]

CONFIDENTIAL WASHINGTON, May 20, 1954.

Subject: Congressional Bills (S 3381 and HR 8954) to authorize an Antarctic Expedition

Participants: Commander Finn Ronne, USNR
Miss Florence Kirlin, H[2]
Mr. John Hanes, S[3]

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[1] Drafted by Hilliker.

[2] Special Assistant to the Assistant Secretary of State for Congressional Relations.

[3] Special Assistant to the Secretary of State.

Hayden Raynor, BNA
Grant G. Hilliker, BNA

Commander Ronne called at his request on the suggestion of Mr. Martin of the White House,[4] with whom he had met a few days earlier, to discuss his plans for an Antarctic expedition and the Bills introduced by Senator Case and Mr. Tollefson to authorize such an expedition.

Following Commander Ronne's statement of the purposes of his proposed expedition I remarked that the Department of State agreed with him on the desirability of continuing US activity in the Antarctic. At the present time he might be interested to know, in confidence, that proposals presented by the interested agencies were under consideration at a high level in the Government.[5] His plans would appear to fit into the proposals in question. In response to his mention of possible US claims, I said that regardless of what might be done it was my understanding that expeditions would still be required in order to maintain existing United States rights in the Antarctic.

Commander Ronne stated that there was a good deal of interest in his proposals in other agencies of the Government and in Congress, although he understood that the Department of Defense comment on the Case-Tollefson Bill would not be as favorable as he had hoped. Mr. Hilliker noted that with regard to Antarctic activities there was frequently the difficulty of making sure that such interest was translated into financial terms. In reply to Commander Ronne's question whether the Department could influence the Department of Defense to make a more favorable comment on the Bills in question, I said that the position of the Executive Branch of the Government was presently being coordinated by the Budget Bureau. I thought that the Defense Department was aware of this Department's views on the general subject of Antarctic activities and that it concurred in them, at least in principle. We would undertake to make sure, however, that there was no lack of information. Mr. Hanes agreed that it would be desirable to contact the

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[4] Presumably I. Jack Martin, Administrative Assistant to the President.

[5] The *Ad Hoc* Committee on Antarctica (formerly the *Ad Hoc* Group on Antarctica; see the editorial note, p. 1733) at its Fourteenth Meeting on Feb. 19, 1954, had reached general agreement on a draft National Security Council Staff Study on Antarctica. Following a series of drafting sessions, work was completed on the draft Staff Study at the Fifteenth Meeting of the *Ad Hoc* Committee on Mar. 9. The draft study was circulated to the Bureau of European Affairs on Mar. 16 under cover of a memorandum by G. Hayden Raynor of the Bureau of British Commonwealth and Northern European Affairs to James C. H. Bonbright. At the Sixteenth Meeting of the *Ad Hoc* Committee on Antarctica, May 4, 1954, the Department of State representatives "reported that the draft policy paper prepared by the Committee had been submitted to the Planning Board of the NSC and was presently under consideration." Documentation on these developments is in file 702.022.

Defense representatives on the *Ad Hoc* Committee on Antarctica for this purpose.

(The foregoing conversation was discussed by Mr. Hilliker with Commander Schratz[6] the same day and it was decided that no further communication with Defense was needed as to the Department's views.)

HAYDEN RAYNOR

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[6] Presumably Cmdr. Paul R. Schratz, U.S. Navy.

031.1102/6-1454

The Assistant Secretary of Defense for Research and Development (Quarles) to the Director of the Bureau of the Budget (Hughes)

CONFIDENTIAL WASHINGTON, May 29, 1954.

DEAR MR. HUGHES: In this letter I wish to convey the results of the Department of the Navy's study of the logistic costs for an Antarctic expedition in support of the U.S. Program for the International Geophysical Year (IGY) during 1957-58[1] and certain other views of this Department upon this IGY effort. This study was undertaken by the Department of the Navy at my request, with the reminder that it should be as complete as the limited time available would permit. The following is submitted with that instruction in mind and with the understanding that the requirements for the scientific stations to be established in Antarctica are known only in general terms and may be subject to appreciable modification.

Based upon data available to us, it appears that an austere Antarctic expedition consisting of two surface vessels, such as an AKA[2] and an ice-breaker, to establish, re-supply and relieve a main base, would cost $2,000,000 to $2,500,000 in out-of-pocket charges, plus an additional regular ship operating cost on the order of $2,400,000 a year. Aircraft for such a minimum logistic effort would be limited to a few small twin-engine models, and perhaps two helicopters. Establishment of any satellite bases would necessarily be by over-surface vehicles with minimum reliance upon aircraft. The cost of establishment of the two satellites by over-surface means is not now known and is not included in these figures; neither are the regular operating costs of the aircraft.

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[1] The International Geophysical Year (IGY) was conceived in 1950 and sponsored by the International Council of Scientific Unions. The purpose of IGY was to promote simultaneous scientific observations in all parts of the world in order to shed new light on many of the most troublesome problems of geophysics, including the origin of cosmic rays, the laws governing global weather patterns, and the aurora. On June 7, 1954, President Eisenhower transmitted to Congress a request for supplemental appropriations for fiscal year 1955, including a request for $2.5 million for the National Science Foundation to permit preparations to begin for U.S. participation in the International Geophysical Year. On June 25, 1954, the White House released the texts of an exchange of letters between the President and Dr. Chester I. Barnard, Chairman of the National Science Foundation, concerning governmental support for IGY. The texts of those letters are printed in the Department of State *Bulletin*, July 5, 1954, pp. 20-21.

[2] AKA—Naval Attack Cargo Ship.

On the basis of a major effort, involving seven ships of various types, including an aircraft carrier, and employing a large complement of aircraft (about 20) for air lift and air drops to establish the two satellite stations, it is conservatively estimated that out-of-pocket costs would be at least $15,000,000 and might run to as much as $25,000,000. To these figures must be added the regular ship operation expense of on the order of $14,000,000 per year. For the purposes of both of these estimates it is assumed that the ships would be engaged full time on expedition business for at least two and one-half years. Thus, the total cost of the austere effort would be not less than $8,000,000 and total cost of the major effort would range somewhere between $50,000,000 and $60,000,000. In the case of the major effort, it is pointed out at least 60% of the total out-of-pocket cost is attributable to the need for extensive air lift. The regular aircraft operating costs are not immediately available and are not included.

The Navy study emphasizes that the type of ships needed for the expedition are in extremely short supply; that AKA's and icebreakers are now fully committed to high priority operations and cannot be made available without important modification of those priorities—modifications which cannot be accepted without careful evaluation of their expected impact upon the defense mission of the naval forces.

Based upon the Navy's report and knowing the extent of commitment of the Army and Air Force, it seems clear to this Department that there is no current military requirement of any kind that would justify a major effort of the magnitude expressed above. It seems indeed, that a minimal effort cannot be easily endorsed by the DOD[3] in view of the fact that its cost-benefit ratio does not compare favorably with other military operational and training plans.

Other reasons for justifying Antarctic expedition expenses by this Department, such as politics and science, have been alluded to in earlier letters. It is premature at this time to state categorically the part of the expense that could be borne by DOD interest in the political factor. This general matter is under study. Consideration of DOD science interest in the IGY has been developed in my letter of May 21. Our endorsement of that general program as a valuable scientific contribution included an endorsement of the Antarctic research phase of the program. It is difficult to see, however, in light of our other pressing commitments, that this DOD scientific interest is adequate to compel a logistic expense several times the cost of the science itself. On the other hand, I feel equally certain that the DOD interest in science or politics should not be the sole grounds for arguing in favor of an expedition. In my judgment, the Antarctic phase of the IGY program is such that its virtue should be weighed in terms of the larger national interest, both scientific and political. If it can be reasonably demonstrated that the sum of these broader considerations, which range beyond the responsibility of this Department, warrant an Antarctic expedition in support of the IGY, the DOD will be willing to cooperate to the extent of requesting special budget consideration to cover additional costs of a modest expeditionary effort and of executing the expedition should funds be made available.

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[3] Department of Defense.

Sincerely,

DONALD A. QUARLES

031.1102/6-1454

Memorandum by the Deputy Assistant Secretary of State for European Affairs (Barbour) to the Deputy Under Secretary of State (Murphy) [1]

CONFIDENTIAL [WASHINGTON,] June 14, 1954.

Subject: Antarctic Phase of International Geophysical Year (IGY)

Discussion:

The National Science Foundation has requested an appointment with you on Tuesday, June 15, for:

Dr. Alan T. Waterman, Director, National Science Foundation
Dr. Detlev W. Bronk, President, National Academy of Sciences
Dr. Lawrence McK. Gould, President of Carleton College and Chairman, Antarctic Committee of IGY

Your letter of April 20 to the Bureau of the Budget [2] (Tab A) gave the Department's general support to the United States program of the IGY, 1957–58, consisting of a series of world-wide scientific observations coordinated through the International Council of

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[1] Drafted by Hilliker; concurred in by Assistant Science Adviser Walter M. Rudolph, Henry Dearborn of the Office of South American Affairs, Samuel W. Boggs, Special Adviser on Geography, and Marjorie M. Whiteman, Assistant Legal Adviser for Inter-American Affairs.

[2] Not printed. (900.729/4–654)

Scientific Unions. Budget Bureau consideration has now been completed and the request of the National Science Foundation for a supplemental appropriation is before the Congress.

Logistical costs for the Antarctic phase of the United States program (one station at Little America and two satellite stations inland), are not included in that request but have been estimated by Defense. In a letter of May 29, 1954[3] (Tab B) Assistant Secretary of Defense Quarles stated to the Budget Bureau that those estimates exceed the anticipated benefits to the military mission and could be assumed by Defense only if the program is justified on scientific or political grounds as well.

The National Science Foundation would like our appraisal of the Antarctic phase of the program from the scientific and political standpoints, for use in reply to Secretary Quarles and, more urgently, in the event that logistical costs are discussed in the forthcoming Congressional hearings.

Scientific considerations within the purview of the Department are covered in your letter at Tab A. As regards political considerations, it is believed that establishment of one or more permanent United States stations in the Antarctic will be necessary if our potential claims are to be preserved. The true worth of the region can be accurately assessed only through further exploration and observations. The draft NSC paper on Antarctica, submitted recently to the Planning Board by the Department,[4] provides for a sustained program of American activities in the Antarctic, of which the IGY stations would be an important start. Moreover, Antarctic activities begun as part of the IGY program would leave the United States less vulnerable to charges of "imperialism" than activities started on our initiative alone.

Recommendation:

That you grant the desired appointment and offer the Department's support in the Antarctic program within the considerations outlined in the preceding paragraph.[5]

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[3] *Supra.*

[4] Reference is presumably to an early draft of NSC 5424 of June 28, 1954, *infra.*

[5] No record of the proposed meeting has been found.

S/S–NSC files, lot 63 D 351, NSC 5424 Series

Report to the National Security Council by the National Security Council Planning Board[1]

SECRET
NSC 5424

WASHINGTON, June 28, 1954.

NOTE BY THE EXECUTIVE SECRETARY TO THE NATIONAL SECURITY COUNCIL ON ANTARCTICA

Reference: NSC 21 Series[2]

The enclosed draft statement of policy on the subject, prepared by the NSC Planning Board, is transmitted herewith for consideration by the National Security Council at its meeting on July 15, 1954.

Attention is invited to the alternative paragraph 9 proposed by the Central Intelligence Agency in the statement of policy. Also enclosed for Council information are a financial appendix and an NSC staff study.

The enclosed statement of policy is intended, if adopted, to supersede the NSC 21 series.

It is recommended that, if the Council adopts the enclosed statement of policy, it be submitted to the President with the recommendation that he approve it; direct its implementation by all appropriate Executive departments and agencies of the United States Government; and designate the Operations Coordinating Board as the coordinating agency.

JAMES S. LAY, JR.

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[1] Copies were sent to the Secretaries of the Treasury, Interior, Commerce, to the Directors of the Budget and of Central Intelligence, and to the Chairman of the Joint Chiefs of Staff.

[2] For the text of NSC 21, see PPS 31, dated June 9, 1948, *Foreign Relations*, 1948, vol. I, Part 2, p. 977.

[Enclosure]

Draft Statement of Policy Proposed by the National Security Council

SECRET

[WASHINGTON,] June 28, 1954.

ANTARCTICA

GENERAL CONSIDERATIONS

1. Antarctica, comprising a vast continent and nearby islands, is not readily accessible even during the brief Antarctic "summer" and much of it has never been seen or explored. It has little or no present economic value and only remote strategic significance. However, it has considerable immediate importance for scientific purposes; our understanding of the physical structure of the world and its atmosphere will be materially advanced by data obtainable only in Antarctica. Moreover, Antarctica may have other potential values not now determinable, so that its importance could conceivably increase greatly with additional knowledge and new technical developments.

2. Formal claims to Antarctic territory have been made by the Governments of Argentina, Australia, Chile, France, New Zealand, Norway and the U.K. The U.S. has not recognized any of these claims. It has made no such official claim but has reserved all its "rights". The USSR has made no Antarctic claim but has asserted a right to participate in any territorial settlement.

3. The U.S. has potential claims to major areas in all of the explored parts of Antarctica, as the result of discovery and exploration, and unofficial claims made in behalf of the U.S. Sustained activities by other claimants now threaten to weaken potential U.S. claims in certain parts of the Antarctic which may be of considerable future importance to the U.S. Comparable activities (expeditions, bases, etc.) requiring continuing investment of funds by or in behalf of the U.S. will be necessary if our potential Antarctic "rights" are to be preserved.

4. In the absence of U.S. activities in all or certain portions of the region, the only feasible way of protecting our potential claims from relative deterioration would be a standstill agreement among the U.S. and the present claimants. Such an agreement might well be very difficult to negotiate.

5. Announcement of an official U.S. claim in a limited area of the Antarctic will, in any event, be desirable in the near future. However, such an announcement is almost certain to cause international difficulties, particularly with Argentina, Chile, the U.K. and New Zealand, because the area of the U.S. claim would conflict with parts of their claims. Decisions as to the nature and timing of a U.S. claim must therefore take into account the probability of objections by friendly governments, as well as propaganda from unfriendly quarters.

OBJECTIVES

6. Orderly progress toward a solution of the territorial problem of Antarctica which would ensure maintenance of control by United States and friendly powers and exclude our most probable enemies.

7. Freedom of exploration and scientific investigation in the Antarctic for nationals of the United States and friendly powers and maximum interchange of Antarctic mapping and scientific data.

8. Access to natural resources which may be found to be useful.

COURSES OF ACTION

Majority Proposal	*CIA Proposal*
9. At an appropriate time, simultaneously:	
a. Announce an official claim to all U.S. "rights" in the general area in Antarctica comprising the Palmer Peninsula and nearby islands, south to at least the 82nd parallel and west to include Little America (located near 78° South and 163° West).	*a.* Announce an official claim to all U. S. "rights" in the general area in Antarctica between 90° West and Little America (located near 78° South and 163° West) and south to at least the 82nd parallel.
b. Reserve all U. S. "rights" in the remainder of the Antarctic region as the basis for additional claims or negotiation.	*b.* Indicate to Chile and Argentina a willingness to recognize the paramountcy of their claims to the area of the OAS security zone (24° West to 90° West) in return for their recognition of a U. S. claim to paramount rights in the area mentioned in 9–*a* above.

c. Indicate a willingness (1) to examine with other powers concerned the possibility of an early resolution of conflicting claims by amicable means; and (2) in general, to encourage and participate in international arrangements to promote the over-all scientific investigation of the Antarctic, the reduction of international friction, and the orderly solution of the territorial problem among friendly powers.	*c.* Seek a general recognition by the seven powers (U. S., New Zealand, Australia, France, Norway, Argentina and Chile) of the paramountcy of their rights in their respective claims. Such an agreement should include a stipulation that each of the concerting powers grant long term reciprocal easements for the purpose of exploration and temporary establishment of observation and experimental stations. (For explanation of this proposal see CIA memorandum, pages 9-12 below)

10. Support a planned program of exploration, mapping and scientific investigation, based on government responsibility for financing the activities required by the national interest. Specifically:

a. Such a program should include periodic expeditions to the Antarctic and the maintenance of permanent stations in the area of the specific U. S. claim.

b. U. S. programs in Antarctica in connection with the International Geophysical Year should be designed in support of this policy.*

c. A unit should be established to plan and supervise the execution of the Antarctic program by or on behalf of the U. S., in cooperation with private interests and under the policy guidance of an inter-departmental committee.

ANTARCTICA

FINANCIAL APPENDIX

Cost estimates in the Financial Appendix indicate order of magnitude.

Approval of the policy statement does not indicate approval of cost estimates in the Financial Appendix.

Appropriations and expenditures to finance the policy will be subject to determination in the regular budgetary process.

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*The National Science Foundation has prepared plans for U.S. participation in the program for the International Geophysical Year (IGY). The IGY programs are based on establishing various stations in Antarctica for the purpose of conducting scientific research from January 1957 through January 1959. [Footnote in the source text. Documentation on preliminary planning for a United States Antarctic expedition during the International Geophysical Year and the Department of State's general approval of such plans (which would involve use of military support facilities) is in file 900.729.]

SPECIAL NOTES

1. All estimates are subject to the assumptions, footnotes, and summary explanation shown below in this Financial Appendix.

2. In order to cover the lead time required in some programs, funds must be made available well in advance of expenditures.

3. Amounts programmed as funds available are subject to future Executive decisions to transfer funds from one program to another, and to Congressional decisions on current appropriation requests.

ASSUMPTIONS

1. That no decision has been made whether this program will be financed by public or private funds, or a combination thereof.

2. That Antarctica expeditions are essential to validate potential U. S. claims in this area and to complete the reconnaissance of the Antarctic for mapping and survey purposes.

3. No U.S. government agency has funds appropriated to carry out this policy.

ESTIMATED COST OF THE PROPOSED POLICY

Expenditures by Programs

FY 1955–FY 1957 †

Expeditions‡	$10,000,000
Permanent Station Maintenance	2,000,000
Organization	150,000
Total	$12,150,000

†It is not possible to determine accurately the annual expenditure cost of expeditions and permanent station maintenance. The annual organization cost, however, is estimated at $50,000. [Footnote in the source text.]

‡The cost of each expedition varies from $250,000 to $1,000,000, depending upon government operation or government contribution to civilian organizations undertaking the expedition on a contract basis. [Footnote in the source text.]

SUMMARY EXPLANATION

Expeditions

1. The $10,000,000 cost estimate for survey expeditions for the period FY 1955–FY 1957 should provide:

a. Satisfactory aerial reconnaissance and mapping within the Antarctica continent.

b. Satisfactory preliminary base maps.

c. Transportation to the Antarctic for parties to survey and map the area, and to establish permanent stations.

Permanent Stations

2. The $2,000,000 estimate includes cost for:

a. Establishment of 3 permanent stations.
b. Salaries of personnel.
c. Equipment and supplies.

The above estimate does not include the cost of transportation to and from the Antarctic which would be included in the expedition cost.

Organization

3. The $50,000 estimate for organizational operating costs includes salaries for personnel, office rent, equipment, and supplies.

CIA MEMORANDUM ON ANTARCTICA

I

(*Note*—The following paragraphs are submitted in support of the CIA proposal for paragraph 9. If the Council adopts CIA's paragraph 9, it is suggested that paragraph 5 of the General Considerations be dropped and the following paragraphs be added.)

1. Announcement of an official U.S. claim in a limited area of the Antarctic will, in any event, be desirable in the near future. However, in view of the present difficult relations between the U.S. and many of the Latin American countries, any announcement of U.S. claims to "rights" in the area to which Chile and Argentina have claims (25° West to 90° West) would certainly cause further difficulties. On the other hand, U.S. support of Latin American claims would have a salutary effect on hemisphere solidarity.

2. Since the Argentine and Chilean claims conflict with the UK claim, U.S. support of the former would unquestionably cause difficulties with the UK. Furthermore it is believed that the other interested powers, namely, Australia, New Zealand, Norway, and France recognize the UK claim (and each other's). However it might be possible to achieve a formula whereby Argentina would recognize UK sovereignty in the Falkland Islands and UK "rights" in some of the other islands in return for UK recognition of their claims in Antarctica. It should be pointed out that the area of the Chilean and Argentine claims virtually coincide with the OAS security zone.

3. The U.S. has important potential claims in the one unclaimed sector of Antarctica (between 90° West and 150° West). Furthermore, it should be possible to seek an accommodation with New Zealand to enlarge this area to include Little America (78° South and 163° West). Decision as to the nature and timing of such a claim must take into account not only the objections by friendly governments, but propaganda from unfriendly quarters as well.

4. The best possible solution for the U.S. would be an agreement between the seven principal powers involved not including the UK, namely the U.S., Argentina, Chile, New Zealand, Australia, Norway, and France, eliminating any conflicts and stabilizing the situation. Such an agreement would present a united front of friendly powers against any potential enemy.

II

(*Note*—If CIA's paragraph 9 is accepted, it is suggested that paragraphs 22 through 24 of the Staff Study be dropped and the following paragraphs be added in their place.)

1. An official U.S. claim should be announced at an appropriate time. We should claim "all U.S. rights" in the general area in Antarctica between 90° West and Little America (located between 78° South and 163° West) and south to at least the 82nd parallel. This area includes the one unclaimed sector of Antarctica and the U.S. has an important potential claim thereto. That portion between 150° West and Little America is included in the New Zealand claim, but we have been very active in the past in this region. It should be possible to make an accommodation with New Zealand. In the meantime the U.S. should inform Argentina and Chile that we will support Latin American claims to the OAS sector (24° West to 90° West). Such support of Latin American interests would have a salutary effect on hemisphere solidarity.

2. U.S. support for the Argentine and Chilean claims will unquestionably cause an unfavorable reaction in the UK, since the latter's claims (Falkland Islands Dependencies) conflict with the Latin American claims. Furthermore there are strong indications that the four other interested powers (Australia, New Zealand, Norway, and France) tacitly recognize the UK claim, and each others'. Nevertheless it might be possible for the two Latin American countries to achieve a quid pro quo with the UK, the UK to recognize the Argentinian and Chilean claims to the mainland and some adjacent islands, in return for Argentinian and Chilean recognition of UK sovereignty in the Falkland Islands and possibly South Georgia and other islands.

3. Argentina and Chile have been disputing over their conflicting claims for many years. However, a possible solution would be to divide the OAS security zone between the two, the dividing line being an extension southward of the major portion of the Tierra del Fuego boundary (approximately 68° West). Thus we would seek a general agreement among the seven powers (U.S., Australia, New Zealand, France, Norway, Argentina and Chile) recognizing the paramountcy of each other's claims.

4. We should also seek an agreement between the seven powers providing for long term reciprocal easements for the purpose of exploration and temporary establishment of observation and experimental stations.

5. The mutual recognition by the seven powers of each other's claims would result in the stabilization of the situation. This general agreement would also provide for the preservation of U.S. rights to explore. Finally it should be noted that any increase in activity in Antarctica, particularly by the U.S., may result in the announcement of claims by the USSR. Therefore it is in the interest of the U.S. and the Free World to resolve any conflicting claims and present a united front to such an encroachment.

STAFF STUDY ON ANTARCTICA

1. Antarctica comprises a largely ice-covered continent and associated islands, devoid of all but the lower orders of vegetation and almost twice as large as the United States. The Antarctic, the larger region including vast and often ice-infested seas, is defined by the "Antarctic Convergence" (see Map I).

2. The only human "inhabitants" of Antarctica man island stations, mostly on an annual rotation basis, in the Palmer Peninsula area opposite South America. That area, the northern-most projection of the continent, also contains the most islands not firmly connected by shelf-ice to the continent.

3. The islands and some of the coastal areas of the continent have been explored and mapped. Of the vast interior of the continent, much has never been seen, still less explored, by man. No part of the continent is easy to reach, even during the warmest months. To explore the interior will require extraordinary efforts which are considered to be within the capabilities only of the U.S., the USSR, the UK, France and possibly combinations of small powers.

4. Seven countries have made official claims to territory in the Antarctic; all (except possibly Norway's) are in the shape of sectors bounded by meridians from the coastline to the South Pole (see Map II). The claims of Norway, Australia, France and New Zealand are contiguous, while those of Argentina, Chile and the UK in the Palmer Peninsula area are in mutual conflict. The only area clearly not covered by claims is the sector between 90° and 150° West Longitude.

5. The U.S. has important potential claims in the "unclaimed" sector and within each of the other national claims, based on past American activities and claims made in its behalf. Some twenty American expeditions or voyages to the Antarctic in the past 150 years have had significance in the discovery and exploration of the

region. In the 1820's and perhaps much earlier, New England sealers were active and numerous in the islands off Palmer Peninsula (named for one of them). Exploration, on the other hand, was the main purpose of an official U.S. Navy expedition to the opposite side of the continent in 1838–42 led by Charles Wilkes. From then until 1928 only five U.S. expeditions worthy of note went to the region. A period of more intensive American activity resumed with the first expedition of Admiral Byrd and between 1928–48 ten U.S. expeditions were sent plus two with U.S. participation. Making full use of aircraft they penetrated farther into the interior and explored vast areas hitherto unseen. Extensive claims for the U.S. were made by Byrd, Ellsworth and Ronne (note, for example, the American names Palmer Peninsula, Ellsworth Highland, Marie Byrd Land, Wilkes Land and American Highland on Annex B).[3] Other claims were made at specific points by members of official expeditions in 1939–41, 1946–47 and 1947–48 but have not yet been publicized officially.

6. The U.S. has not recognized the claims of other countries but has reserved its own "rights" while withholding an official claim. Our orthodox position of requiring that claims, to be valid, must be accompanied by effective occupation or control, would be most nearly met in the Palmer Peninsula area where some semblance of control by other countries already exists. Our only present claim to "occupation" anywhere in the Antarctic would rest on the existence of usable bases, such as Little America. The time may be at hand when announcement of a U.S. claim will be necessary, at least in the Palmer Peninsula area, in order to protect our potential claims relative to those of more active claimants.

7. Other countries in addition to the eight mentioned above have some interests in the Antarctic, based either on past activities there (USSR, Belgium, Japan, Germany, etc.) or on their Southern Hemisphere location (South Africa). Japan relinquished its "rights" under the Treaty of Peace and it is expected that Germany will do the same. None of the other countries named has potential claims as strong as any of the countries that have made official claims.

8. Such potential Soviet claims as may exist in the Antarctic arose out of a Russian naval voyage commanded by Bellingshausen in the 1820's. The expedition sighted certain islands in the Palmer Peninsula area, which have since been explored or mapped, and claimed, by other nations. The Soviet Union in June 1950 officially informed the powers principally concerned of its refusal to recog-

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[3] Reference is presumably to the map attached to NSC 5424, not printed, which set forth the proposed U.S. claims in Antarctica as suggested in that portion of NSC 5424 designated "CIA Memorandum on Antarctica", Part II.

nize any solution of the territorial problem in which it did not participate. Its concern was explained in terms of meteorology and whaling. Antarctic whaling operates from floating factories and has been carried on by the Soviets since 1945. The USSR has not announced a territorial claim.

9. Whatever value the Antarctic now has results mainly from its being a source of scientific information unavailable anywhere else in the world. Among the geophysical sciences in which the region offers important fields for research are included (a) meteorology—for purposes of long-range weather forecasting in the northern as well as the southern hemisphere, (b) ionosphere studies—as an aid to long distance radio communication within the limited frequencies usable for that purpose, (c) aurora—in connection with interruptions to long distance radio communications and, possibly, new transmission paths in the future, (d) geomagnetism—related to the ionosphere and aurora, and (e) geology—to learn the structure of the region and sample minerals of possible economic value. Access to such information has not, in the past, demanded the exercise of sovereignty in the Antarctic.

10. As a territory, the Antarctic is of little or no known economic value, but its significance could increase greatly in the light of future technical developments and additional information on its resources and physical characteristics. The Palmer Peninsula area adjacent to Drake Passage has a remote strategic significance, at least in the event of damage to the Panama Canal. Accurate appraisal of the region's full significance awaits the results of further exploration and scientific investigation.

11. U.S. interest in the Antarctic results largely from its potential resources. Although they cannot yet be appraised, it would be imprudent for the U.S. to relinquish potential claims attaching to so vast a region of unforeseen possibilities. Denial of possible control to probable enemies of the U.S. is also desirable. National prestige is a factor, reflected in continuing Congressional interest and arising mainly out of past American explorations giving us the right to a prominent voice in the future of the region.

12. It is essential for the U.S., therefore, to preserve its existing Antarctic "rights" while attempting to identify areas of possible net value in the future. This transitional status of the problem emphasizes the need for flexibility in U.S. policy respecting the region.

13. The protection of U.S. "rights" is partly a matter of clearly indicating our intentions. In the past we have attempted to meet this need by reservations of "rights". Such reservations might continue to serve the purpose best in the future, if it were not for the increasing scale of activities by other countries, particularly in the

establishment of permanent bases in the Palmer Peninsula area. Such activities tend to undermine the potential claims of the U.S. Therefore, an announcement of U.S. claim in that area will be desirable in the near future.

14. A U.S. claim could take one of several forms. Delineation of a U.S. claim to full sovereignty, even if we could identify our major interests at this time, might prove to be an abortive effort because of the lack of internationally agreed rules for acquiring sovereignty in the Antarctic. It would also be a sharp break with our past policy of refusing to recognize claims to sovereignty when not accompanied by occupation. More important, the principles underlying any selection of the precise areas of superior U.S. "rights" would be applied elsewhere as a yardstick of comparison by other powers, possibly to our disadvantage. Inferior U.S. "rights" outside the area of a "sovereignty" claim would be impaired, at least by implication, even though they might eventually acquire significance as the result of further U.S. activities, or through default by other powers.

15. A more desirable step might be to claim "all U.S. rights" without imputing relative value to them, either separately or in the aggregate. We would not assert that our "rights" necessarily add up to sovereignty now, nor would we deny that possibility. The difficulty with such a claim would be to explain accurately just what it would mean, between full sovereignty at one extreme and mere reservation of rights at the other. The general outline of this kind of claim on the part of the U.S. would have to include practically all coastal areas and islands of Antarctica within an area larger than the U.S. A third possibility would be an initial claim to "all U.S. rights" within a defined area, while reserving them everywhere else in the Antarctic. Because it would avoid certain of the difficulties outlined above, this is the preferred course.

16. An announcement of claim would not, of itself, suffice to preserve U.S. "rights" in the Antarctic. In the long run, we can maintain our position relative to that of other countries, only by matching or exceeding their activities (sending of expeditions, establishment of bases, etc.). In areas yet unexplored, such U.S. activities would of course extend our potential claims, while at the same time providing scientific information needed as the basis for appraisal of the utility of the Antarctic. Whatever the magnitude and nature of such activities, they will be most useful if organized into a sustained effort.

17. The U.S. Government lacks a specific organization to plan and supervise, in cooperation with private interests, the execution of Antarctic activities by or on behalf of the U.S. and the collection, analysis, protection and dissemination of information concern-

ing the Antarctic. Provision for such an organization and for adequate official financial support—either within an existing department or agency or as a quasi-governmental organization—would impart the continuity that is lacking from U.S. handling of Antarctic affairs. Coordination of the views of interested departments and agencies should continue to be handled by an inter-agency committee.

18. The international solution of conflicting Antarctic claims would be desirable as a means of eliminating friction among otherwise friendly powers and of consolidating control of the area as a whole in their hands. International scientific cooperation could help in obtaining the data needed for more accurate appraisal of the true worth of the region. In 1948 the U.S. attempted to initiate discussion of possible internationalization of the region (involving prior announcement of a U.S. claim), but the responses of the seven claimant powers were generally unfavorable.[4] Reference to the 1948 proposal at the time of announcing a U.S. claim would help to deflect possible charges of "imperialistic" motives on the part of the U.S.

19. Chile replied to the 1948 proposal with a counter-suggestion for a standstill agreement to freeze the status of Antarctic "rights" among the signatories for a period of years. The Chilean proposal has been under desultory discussion since 1949, as a possible *modus vivendi.* U.S. thinking has involved the making of a U.S. claim, which need not be held up awaiting the formal proposal of a *modus vivendi.* In the absence of U.S. activities comparable to those of other parties, a *modus vivendi* could help to prevent the relative deterioration of potential U.S. claims in the area to which it might be applied. On the other hand, wherever the U.S. intends to undertake during the period of such a *modus vivendi* a program of activities, the *modus vivendi* would deny us the benefit (in relation to other signatories) of "rights" arising therefrom. Thus a *modus vivendi* can be regarded largely as a possible alternative, depending upon its territorial scope, to a program of sustained U.S. activity in all of certain parts of the Antarctic. Such an agreement might well be very difficult to negotiate.

20. The prospect for general resolution of conflicting claims by international judicial settlement is not bright. Argentina and Chile have consistently refused in the past to submit their claims to judicial settlement. The U.S. might risk losing its "rights" in certain areas if disputes with reference thereto were submitted to judicial settlement on an "all or nothing" basis. However, even though

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[4] For documentation on the 1948 U.S. initiative toward internationalization of Antarctica, see *Foreign Relations*, 1948, vol. I, Part 2, pp. 962–1016.

some countries might be amenable to a course which would result in division of the disputed areas, the U.S. is not now in a position to make a wise choice of areas to include the localities best suited to our possible needs.

21. If the U.S. is to protect its potential claims in the Antarctic, however, certain minimum actions are necessary in the near future. Prominent among them are (a) announcement of some kind of official claim and (b) carrying out a sustained program of U.S. activities, possibly coupled with (c) efforts to negotiate a standstill agreement (*modus vivendi*) covering areas where such activities are not contemplated in the near future.

22. An official U.S. claim should be announced as soon as possible. While continuing to reserve "all U.S. rights" in the remainder of the Antarctic region, and expressly without derogating from any of them, we should specifically claim "all U.S. rights" initially only in the general area comprising the Palmer Peninsula and nearby islands, south to at least the 82nd parallel and west to include Little America (located near 78° south and 163° west). The specific areas of initial claim should be selected with a view to compactness and should include significant areas (a) where lack of an official claim in the near future would mean serious risk of losing U.S. "rights", (b) where extensive U.S. "rights" are uncontested or obviously superior to those of other powers, (c) where potential U.S. requirements have been identified, or (d) where early 19th Century Russian activities and subsequent Soviet interests would appear to make a Soviet claim most probable. Limiting the initial areas of claim would have the advantage of maintaining sufficient flexibility to permit a decision later on "additional" claims, based on existing "rights" plus those still to be acquired.

23. Decision as to a claim must recognize the reactions that a claim announcement would call forth. Announcement of a U.S. claim would be likely to spur other powers, including the USSR, to increased activities in the region. Under existing unsettled conditions there, such expanded national activities would tend to increase friction among a number of countries, including several with which we have the closest of ties arising out of broader relationships. Following announcement of a U.S. claim, if not before, the Soviet Union might advance a claim of its own in an effort to justify a voice in control of the region. From the standpoint of propaganda, attempts certainly would be made to use our claim against us, for example, by pointing to our lack of relative need for additional territory and resources.

24. General foreign policy considerations require that announcement of a U.S. claim, even of limited extent, be calculated to minimize the undesirable consequences discussed above. To reduce the

possibility of causing additional friction in the area, a U.S. claim should preferably be announced in connection with some move toward international cooperation in the region, but this should not be permitted to delay the announcement. Our previous willingness to consider internationalization of the region should be recalled in any case, together with our desire for international cooperation among the powers principally concerned, in the exploration and scientific investigation of the region and in maximum interchange of Antarctic information.

[Here follows a map, not reproduced, entitled "Definition of the Antarctic Convergence." A footnote in the source text indicates that the map is taken from "Deacon, G.E.R. (1937) 'The Hydrology of the Southern Ocean'—'Discovery Reports' 15: 1–124 Cambridge University Press".]

S/S–NSC files, lot 63 D 351, NSC 5424 Series

Memorandum by the Joint Chiefs of Staff to the Secretary of Defense (Wilson) [1]

SECRET

WASHINGTON, July 9, 1954.

Subject: NSC 5424—Antarctica

1. The Joint Chiefs of Staff submit herewith their views regarding a draft statement of policy prepared by the National Security Council Planning Board, titled "Antarctica," NSC 5424, which is intended, if adopted, to supersede the NSC 21 Series.

2. The Joint Chiefs of Staff are in general agreement with the objectives and courses of action proposed in NSC 5424. With respect to the alternative proposals set forth in paragraph 9, the Joint Chiefs of Staff favor the majority proposal (left column). They consider that the majority proposal is preferable in that the area in which United States rights would be claimed under that proposal includes the area of the Palmer Peninsula, where the increased scale of activities of other countries tends to depreciate the potential claims of the United States. The CIA proposal would not include this significant area, where lack of an official claim in the near future might involve serious risk of the loss of United States "rights." Further, the Joint Chiefs of Staff consider that the substance of subparagraphs 9-*b* and *c* of the CIA proposal deals more with specific steps which might later be taken toward resolution of

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[1] This memorandum was transmitted to the National Security Council under cover of a memorandum by the Executive Secretary of the NSC James S. Lay, Jr., dated July 13, 1954, in connection with the Council's consideration of NSC 5424 at its meeting on July 15, 1954.

conflicting claims, rather than with the broader policy aspects of the Antarctic problem to which NSC 5424 is addressed.

3. The Joint Chiefs of Staff recommend that, subject to the acceptance of the majority proposal contained in paragraph 9, you concur in the adoption of NSC 5424 as a statement of United States policy to supersede the NSC 21 Series.

For the Joint Chiefs of Staff:
Arthur Radford
Chairman
Joint Chiefs of Staff

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 206th Meeting of the National Security Council on Thursday, July 15, 1954 [1]

TOP SECRET EYES ONLY

Present at the 206th Meeting of the Council were The President of the United States, presiding; the Vice President of the United States; the Secretary of State (for Item 2 only); the Under Secretary of State (Items 1 and 3–7); Robert B. Anderson for the Secretary of Defense; the Acting Director, Foreign Operations Administration; the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Attorney General (Item 1); the Acting Secretary of the Interior (Item 4); the Secretary of Commerce (Item 1); Under Secretary of Commerce Worthy (Item 1); Assistant Secretary of Commerce Anderson (Item 3); the Director, Bureau of the Budget; the Director, Federal Bureau of Investigation (Item 1); the Administrator, Federal Facilities Corporation (Item 3); the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; the Assistant to the President; the Deputy Assistant to the President; the White House Staff Secretary; the NSC Representative on Internal Security (Item 1); the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

Following is a summary of the discussion at the meeting and the main points taken.

[Here follows discussion of restrictions upon Soviet bloc diplomats and official representatives, a report by the Secretary of State on European matters and Indochina, and discussion of United States rubber policy.]

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[1] Drafted on July 16 by Deputy Executive Secretary of the NSC S. Everett Gleason.

4. Antarctica (NSC 5424;[2] Memo for NSC from Executive Secretary, same subject, dated July 13, 1954 [3])

Mr. Lay briefed the Council on the background of the problem, analyzed the present paper, and read the majority recommendations of the NSC Planning Board.

The President observed that the most effective way to handle the problem which we faced in Antarctica would be simply to say that the claims and the rights which the United States has exercised in this region are merely reaffirmed. If we suddenly jump in now and proclaim our rights, we will cause ourselves great difficulty. In view of the claims which we have traditionally maintained, the President said that we should sit down and talk over the problem with the other interested countries, but not suddenly announce new U.S. claims.

Mr. Lay pointed out that the United States had never made any formal claims in Antarctica. The President said that of course he realized that, but that there nevertheless was all the long record of American expeditions to Antarctica. We should stand on this record and not suddenly make claims, *de novo*. Mr. Lay then suggested that the United States should perhaps reassert its reservation of its rights in Antarctica, but pointed out that whatever we did was unlikely to be successful unless the United States continued its explorations in Antarctica.

Mr. Allen Dulles said that while the CIA had put forth a minority view in the paper under consideration, he would be willing to accept the majority proposals subject to two changes. We ought, he believed, in the first instance to talk to the Governments of Chile and Argentina at the time we asserted our claims, to see if it were not possible to reach an amicable agreement with these two Latin American states. Secretary Smith said that he was strongly opposed to this course of action because of the fact that a British claim conflicted with the claims of Chile and Argentina in this area. He much preferred the President's suggestion that we simply reassert our rights in Antarctica.

The President said that he would rather offend the British than our Latin American friends regarding issues in Antarctica.

Secretary Humphrey inquired what the United States would have to do in order to protect its rights in this region. The necessary course of action was explained to Secretary Humphrey by Mr. Lay and others, but Secretary Humphrey thought that ten million dollars was much too high a price to pay. The President suggested that the Departments of Defense and the Interior undertake to see what they could do by way of sending expeditions to Antarctica as a kind of subordinate part of their regular operations. Admiral Radford also indicated that the Navy Department could find ways and means of helping to protect U.S. rights in Antarctica without undue financial costs.

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[2] Dated June 28, 1954, p. 1743.

[3] This memorandum transmitted to the NSC the JCS memorandum, *supra*.

Mr. Allen Dulles said that the other problem which concerned him was to make sure that Russia was not invited to take part in any discussions or negotiations respecting Antarctica. The President expressed hearty agreement with Mr. Dulles' position. The President concluded the discussion of this item by expressing strong approval of future expeditions to protect our rights in Antarctica, and suggesting that the State Department "figure out" how best to do it.

The National Security Council:

Adopted the statement of policy contained in NSC 5424, subject to the following changes:

a. *Paragraph 5:* Revise to read as follows:

> "5. Reassertion of U.S. 'rights' in the Antarctic will in any event be desirable in the near future. Decisions as to the nature and timing of such a U.S. reassertion must take into account the possibility of objections by friendly governments, as well as propaganda from unfriendly quarters."

b. *Paragraph 9:* Revise to read as follows:

> "9. At an appropriate time, simultaneously:
>
> "a. Reassert U.S. 'rights' in the Antarctic, which have been ours as the inherent results of discovery and exploration, and unofficial claims made in behalf of the U.S.
>
> "b. Indicate a willingness (1) to examine with the U.K., New Zealand, Australia, France, Norway, and particularly Argentina and Chile, the possibility of an early resolution of conflicting claims by amicable means; and (2) in general, to encourage and participate in international arrangements to promote the over-all reduction of international friction, and the orderly solution of the territorial problems among friendly powers."

c. *Subparagraph 10–a:* Revise to read as follows:

> "a. Such a program should include periodic expeditions to the Antarctic and the [illegible] permanent stations in the Antarctic area."

Note: NSC 5424, as amended, approved by the President; referred to the Operations Coordinating Board as the coordinating agency designated by the President; and circulated as NSC 5421/1.

[Here follows discussion of United States policy on Berlin and significant world developments affecting United States security.]

S/S-NSC files, lot 63 D 351, NSC 5424 Series

Statement of Policy by the National Security Council [1]

SECRET
NSC 5424/1

[WASHINGTON,] July 16, 1954.

ANTARCTICA

GENERAL CONSIDERATIONS

1. Antarctica, comprising a vast continent and nearby islands, is not readily accessible even during the brief Antarctic "summer" and much of it has never been seen or explored. It has little or no present economic value and only remote strategic significance. However, it has considerable immediate importance for scientific purposes; our understanding of the physical structure of the world and its atmosphere will be materially advanced by data obtainable only in Antarctica. Moreover, Antarctica may have other potential values not now determinable, so that its importance could conceivably increase greatly with additional knowledge and new technical developments.

2. Formal claims to Antarctic territory have been made by the Governments of Argentina, Australia, Chile, France, New Zealand, Norway and the U.K. The U.S. has not recognized any of these claims. It has made no such official claim but has reserved all its "rights". The USSR has made no Antarctic claim but has asserted a right to participate in any territorial settlement.

3. The U.S. has potential claims to major areas in all of the explored parts of Antarctica, as the result of discovery and exploration, and unofficial claims made in behalf of the U.S. Sustained activities by other claimants now threaten to weaken potential U.S. claims in certain parts of the Antarctic which may be of considerable future importance to the U.S. Comparable activities (expeditions, bases, etc.) requiring continuing investment of funds by or in behalf of the U.S. will be necessary if our potential Antarctic "rights" are to be preserved.

4. In the absence of U.S. activities in all or certain portions of the region, the only feasible way of protecting our potential claims from relative deterioration would be a standstill agreement among the U.S. and the present claimants. Such an agreement might well be very difficult to negotiate.

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[1] A covering transmittal note to the NSC by Acting Executive of the NSC S. Everett Gleason, dated July 19, 1954, states that the President approved the statement of policy on July 16 and that accordingly the NSC 21 series was superseded.

5. Reassertion of U.S. "rights" in the Antarctic will in any event be desirable in the near future. Decisions as to the nature and timing of such a U.S. reassertion must take into account the possibility of objections by friendly governments, as well as propaganda from unfriendly quarters.

OBJECTIVES

6. Orderly progress toward a solution of the territorial problem of Antarctica which would ensure maintenance of control by United States and friendly powers and exclude our most probable enemies.

7. Freedom of exploration and scientific investigation in the Antarctic for nationals of the United States and friendly powers and maximum interchange of Antarctic mapping and scientific data.

8. Access to natural resources which may be found to be useful.

COURSES OF ACTION

9. At an appropriate time simultaneously:

a. Reassert U.S. "rights" in the Antarctic, which have been ours as the inherent result of discovery and exploration, and unofficial claims made in behalf of the U.S.

b. Seek to reach an agreement among the U.S. and free world claimants to Antarctic territory which will (1) reserve their respective rights pending future solution of the territorial problems (2) reduce international friction among them and (3) permit freedom of exploration and scientific investigation in the Antarctic by free world nationals and maximum interchange of Antarctic mapping and scientific data.

10. Support a planned program in the Antarctic for scientific purposes only, based on Government responsibility for financing the activities required by the national interest. Specifically:

a. Such a program should include periodic expeditions to the Antarctic and the maintenance of permanent stations in the Antarctic area for scientific purposes only.

b. U.S. programs in Antarctica in connection with the International Geophysical Year should be designed in support of this policy.

c. The Department of Defense will act as the Executive Agency for operations in the Antarctic by or on behalf of the U.S. in cooperation with private interests and other interested Government Agencies.

[Here follow a "Financial Appendix," a "Staff Study on Antarctica," and a map setting forth proposed U.S. claims in Antarctica as suggested by the Central Intelligence Agency, all of which are identical to those documents found with NSC 5424, page 1743.]

031.1102/9-2854 : Circular telegram

The Acting Secretary of State to the Embassy in New Zealand[1]

CONFIDENTIAL WASHINGTON, September 28, 1954—7:33 p. m.

164. Following draft White House statement tentatively scheduled for release 6 p.m. EST Friday October 1 for Saturday a.m. papers.

"As a result of recent consideration of Antarctic matters in the Congress and in the Executive Branch, and in recognition of the continuing U.S. interest in the region, it has been decided to send an icebreaker to the Antarctic during the 1954-55 season. This small expedition will be carried out under the leadership of the U.S. Navy and will remain in the Antarctic for a period of four or five months. The latest previous American expeditions were effected in 1946, '47, and '48.

The expedition will be in the nature of a survey. It will not attempt to establish any permanent bases ashore. The expedition will make preliminary investigations of conditions in preparation for the necessary logistic support of the International Geophysical Year, 1957-58. This program is a major research undertaking in the earth sciences to be carried out, so far as the U.S. is concerned, under the joint auspices of the National Academy of Sciences and the National Science Foundation.

As time permits, the expedition will continue the kinds of activity pursued by past U.S. expeditions, including mapping and collection of information concerning the characteristics of the region."

Foregoing will be handed to missions of Argentina, Chile, Australia, France, New Zealand, Norway and U.K. Friday October 1 prior to release.

Not more than 12 hours before release you may in your discretion also inform appropriate officials provided you satisfied leaks will not occur to distort first press accounts from U.S. source.

Any significant changes in text or release time will be cabled. Joint State-USIA guidance will follow for use replying queries.

SMITH

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[1] Also sent to Canberra, Buenos Aires, Santiago, Oslo, Paris, London, and Pretoria.

031.1102/9-3054 : Circular telegram

The Acting Secretary of State to the Embassy in New Zealand [1]

CONFIDENTIAL WASHINGTON, September 30, 1954—6:28 p. m.

170. Joint State-USIA message. Text release sent Circular 164 [2] revised without change substance. Draft can be used as basis informing governments and press but should not be released as White House statement.[3]

In reply questions from officials and press you may say icebreaker will be USS *Atka* (AGB-3) commanded by Cdr. Glen Jacobsen. Ship is now Boston after two month cruise Arctic waters on routine operations. It will depart US about Dec 1 and return not later than May 1, 1955. Planning not yet completed but USS *Atka* will initially enter Ross Sea and revisit Little America, base of four previous US expeditions. Thereafter expedition will call several other points briefly, probably including vicinity Palmer Peninsula.

Should you be questioned by officials or press concerning US position re Antarctic claims you may state you understand there are no present plans for announcing official claim. US recognizes no other national claims and reserves all its rights in Antarctic based on past activities and claims made in its behalf. Therefore important that no room be left for impression U.S. would ask permission visit Antarctic areas claimed by other countries. On other hand you may reiterate US willingness examine with seven present claimants named Circular 164 possibility of early resolution of conflicting claims. You should point this connection Dept's 1948 proposal to seven countries for discussion of internationalization of Antarctic which met with little positive response. (FYI This no longer US position.) USIS output could also stress within limits connection this expedition International Geophysical Year. (Buenos Aires and Santiago refer Policy Info Statement ARA-3 April 13, 1954.)

SMITH

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[1] Also sent to Canberra, Buenos Aires, Santiago, Oslo, Paris, London, and Pretoria.

[2] *Supra.*

[3] No mention of the text contained in circular telegram 164 was made in Department of State press releases during early October.

031.1102/10-2254 : Circular telegram

The Acting Secretary of State to the Embassy in Argentina[1]

SECRET WASHINGTON, October 22, 1954—8:05 p. m.

206. In course recent meeting Rome International Geophysical Union, national plans for Antarctic phase International Geophysical Year 1957–58 (IGY) were discussed. Working Group on Antarctica of Special Committee for IGY (French initials: CSAGI) approved existing plans for 21 stations (including 3 U.S.) in general region Antarctica and recommended 8 additional stations at "gap-locations" of which 5 in Antarctica proper. CSAGI resolution *inter alia* urged that as many nations as possible should take part and invited various nations to "consider recommendations to establish stations at the gap-locations".

USSR representative attended Rome meeting as observer. Soviets indicated intention participating IGY but not yet apparent whether interest includes Antarctic phase IGY. Should Soviets desire establish foothold Antarctica as basis future claim danger arises that CSAGI invitation would provide plausible opportunity do so with "international blessing".

U.S. Committee of IGY has under consideration adding to its existing Antarctic plans establishment station one of gap-locations. Plans had earlier been made for forthcoming official U.S. expedition (Circular Telegram 170[2]) to investigate Gould Bay in Weddell Sea as base possible future exploration. One of gap-locations recommended CSAGI is Vahsel Bay (77 South, 35 West) not far from Gould Bay (both are within British and Argentine claims). Others are Astrid Coast (10 East, 70 South, Norwegian claim) and Knox Coast (67 South, 105 East, Australian claim). CSAGI specifically asked New Zealand consider station at Ross Island (76 South, 169 East) and Norway at Peter I Island (69 South, 90 West).

To reduce likelihood Soviet decision establish base one or more gap-locations desirable U.S. and/or friendly countries state their intentions occupying them. For purpose exploring that possibility request you informally and confidentially give foreign offices foregoing information orally and inquire whether they have any plans for taking up indicated gap-locations. Refer map attached NSC 5424/1 July 19, 1954 for locations.[3]

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[1] Drafted by Hilliker. Cleared by Marjorie Whiteman of L/ARA; Henry Dearborn and Frank J. Devine of the Office of South American Affairs; Robert O. Blake of the Office of Eastern European Affairs, William Dale Fisher of the Office of Western European Affairs, Dr. Koepfli of the Office of the Scientific Adviser, and Carothers of the National Science Foundation. Sent also to Santiago, London, Paris, Oslo, Canberra, Wellington and repeated for information to Moscow.

[2] *Supra.*

Inquiries should be explicitly without prejudice status existing claims and possible future U.S. claims. Avoid urging decisive action at this time as result U.S. approach. Carefully point out present inquiries due U.S. Government initiative and not U.S. Committee for IGY or other scientific body.

Report findings soonest.

HOOVER

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[3] NSC 5424/1 is printed without its map on p. 1760.

Editorial Note

Replies to circular telegram 206 were received from the addressees throughout late October and early November 1954. Telegrams 127 and 142 from Canberra, dated October 21 and November 25, respectively, reported Australian eagerness to aid and support the *Atka* expedition and the agreement of the Australian Government that it would be undesirable to provide the Soviet Union with the opportunity to justify the establishment of Antarctic bases as part of the IGY. Telegrams 314 and 338 from Oslo, dated November 3 and November 16, respectively, stressed Norwegian determination to establish IGY base sites only in areas already claimed and the emphasis of the Norwegian Government upon Arctic as opposed to Antarctic research. Telegram 2085 from Paris, dated November 16, stressed the decisio[illegible]ch Government to establish IGY sites in previously claimed [illegible] 272 from Buenos Aires, dated November 18, repo[illegible] Government's offer not only to provide complete logistical support for the *Atka* but also to provide a naval observer's berth for an American officer on the Argentine icebreaker *San Martin* due to depart for Antarctica on December 15. Telegram 2246 from London, dated November 6, reported that the United Kingdom had no plans for establishing IGY bases in "gap" locations, would be happy to invite the United States to establish a station within the claimed United Kingdom sector of Antarctica, and that the United Kingdom had received no indication that the Soviet Union was particularly interested in Antarctica. All of the above telegrams are in file 031.1102.

031.1102/11-1854

The Chairman of the Operations Coordinating Board Working Group on Antarctica (Dufek) to the Secretary of State

SECRET WASHINGTON, November 18, 1954.

DEAR MR. SECRETARY: 1. The President on 15 July 1954 directed the implementation of the policies contained in NSC 5424/1 (Antarctica) by all appropriate executive departments and agencies of the U.S. Government, and designated the Operations Coordinating Board as the coordinating agency.

2. Accordingly, the Antarctic Program has been initiated by scheduling the U.S.S. *Atka* (icebreaker) to depart Boston on 1 December 1954 for the Antarctic, to return to Continental U.S. about 14 April 1955.[1] Acceptance of further projects for this expedition has been closed.

3. Tentative plans are being formulated for an expedition to the Antarctic to depart U.S. ports in November 1955. These plans call for establishment of a main base at Little America with Satellite Station #1 at Longitude 120° West, 80° South and Satellite Station #2 at the South Pole. It is planned to maintain these bases in support of the International Geophysical Year 1957-58, and to support such other projects as feasible in furtherance of the policies announced in NSC 5424/1.

4. Accordingly it is requested that addressees submit their interests and requirements in the form outlined in paragraph 5 of this letter. Rough estimates should be submitted prior to 15 January 1955 with detailed information not later than 15 February 1955 for the 1955-56 expedition. Interests and requirements for expeditions conducted in 1956-57, 1957-58, 1958-59 will be accepted at any time. Negative answers are necessary for proper planning of logistical support requirements.

5. Information desired:

a. Interests.
b. Personnel participation.
c. Projects to be undertaken.
d. Weight and size of equipment to be transported by ship or air to Antarctica.
e. Area of participation in Antarctica.
f. Method of financing.
g. Method of logistic support (own or required) with point of origin and point of destination.

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[1] Documentation on the cruise of the U.S.S *Atka* (AGB-3) to Antarctica in 1954-1955 is in Record Group 313, Records of Naval Operating Forces, Records of the U.S. Navy Antarctic Expedition, 1954-1955, Report of the U.S.S. *Atka*, National Archives and Records Service, Washington, D.C.

h. Amplifying information.

6. Above information should be submitted to the Operations Coordinating Board, attention Colonel Byron K. Enyart, OCB Staff Representative on the Antarctica Working Group.

Sincerely yours,

GEORGE J. DUFEK
Captain, USN

BRICKER AMENDMENT

PROPOSALS IN THE SENATE, PARTICULARLY BY JOHN W. BRICKER (R.-OHIO), TO AMEND THE CONSTITUTION IN ORDER TO RESTRICT THE TREATYMAKING POWERS OF THE EXECUTIVE BRANCH

711.03/5-1452

The Secretary of State to the Chairman of the Senate Committee on the Judiciary (McCarran)[1]

[WASHINGTON,] May 19, 1952.

MY DEAR SENATOR MCCARRAN: The receipt is acknowledged of your letter of May 14, 1952,[2] in which you state that the subcommittee considering S.J. Res. 130, "Proposing an amendment to the Constitution of the United States relative to the making of treaties and executive agreements," has scheduled open hearings for 10:00 a.m. Wednesday, May 21, 1952.

I should like to take this opportunity to bring to the attention of the Committee the following comments of the Department of State on the proposed resolution.

In the opinion of the Department of State, an amendment to the Constitution of the United States, such as that proposed in S.J. Res. 130, would not serve the best interests of the citizens or the Government of the United States.

The proposed amendment would run counter to the basic theory of a division of powers among the judicial, legislative and executive branches of the Federal Government, contained in the Constitution of the United States. It would so seriously interfere with the historic and fundamental functions of the Executive in the field of foreign affairs that it would jeopardize the influence of the United States in the world today. It would confer on Congress the authority by joint resolution to alter the Constitution and laws of the several States without regard to the Constitutional limitation in this field. It would prevent the United States from supporting great humanitarian treaties and subject this nation to charges of being a backward country without sincere interest in the rights of the individual.

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[1] Drafted by the Assistant Legal Adviser for Inter-American Affairs, Marjorie M. Whiteman; by the Deputy Assistant Secretary of State for Congressional Relations, Ben H. Brown; and by the Special Assistant to the Assistant Secretary of State for Congressional Relations, George O. Gray.

[2] Not printed; in the letter, Senator McCarran informed Secretary of State Acheson of the beginning of the hearing on S.J. Res. 130, which had been introduced by Senator Bricker on Feb. 7, 1952. He also indicated the subcommittee's interest in the scheduling of witnesses and set forth briefly the procedures for the submission of oral and written statements. (711.03/5-1452)

More detailed comments follow:

By Section 1 it would be provided that:

> "No treaty or executive agreement shall be made respecting the rights of citizens of the United States protected by this Constitution, or abridging or prohibiting the free exercise thereof."

It may be stated at the outset that no treaty or other international agreement to which the United States has become a party abridges the rights guaranteed by the Constitution to citizens of the United States or abridges or prohibits the free exercise of such rights. On the other hand, certain treaties extend into the international field some of the guarantees, rights, and freedoms accorded by the Constitution of the United States. Such treaties would appear to be prohibited by Section 1 which would forbid any agreement "respecting the rights of citizens of the United States", etc. For example, the Convention between the United States and Other Powers to Suppress the Slave Trade and Slavery, signed at Geneva on September 25, 1926, and advised and consented to by the Senate on February 25, 1929, is an agreement "respecting" the rights of citizens of the United States, but it does not infringe on those rights in any way. It would be very difficult to explain to other Governments why the United States could not enter into such an agreement.

Furthermore, the failure of the United States to support humanitarian treaties and conventions would furnish a propaganda weapon to the Kremlin which would question our sincere interest in the rights of the individual.

At the time of the introduction of S.J. Res. 130, its author referred to the Covenant on Human Rights which is in process of being drafted in the United Nations. This Covenant has to do with rights guaranteed under the United States Constitution. However, even in its present form it contains the explicit provision, in Article 18, paragraph 2, that:

> "Nothing in this Covenant may be interpreted as limiting or derogating from any of the rights and freedoms which may be guaranteed under the laws of any Contracting State or any conventions to which it is a party."

Thus specific provision is included in the present draft of the Covenant on Human Rights that it is intended that the Covenant shall not be interpreted as limiting or derogating from any of the rights and freedoms guaranteed under the Constitution or other law of a Contracting State.

Moreover, the Covenant on Human Rights as presently drafted contains express provision that it shall not be self-executing, that is to say, it will require implementing legislation where law is not presently existing, and will not of itself automatically become operative as the law of the land. Article 1, paragraph 2, of the present draft of the Covenant on Human Rights expressly provides that "Where not already provided for by existing legislative or other measures, each State undertakes to take the necessary steps, in accordance with its constitutional processes and with the provisions of this Covenant, to adopt within a reasonable time such legislative or other measures as may be necessary to give effect to the rights recognized in this Covenant." In other words, the provisions of the Constitution, for example, that Congress shall make no law abridging freedom of speech, or of the press, etc., will still be controlling in the United States, as legislation is to be adopted by each State party thereto, "in accordance with its constitutional processes", if law is not presently existing. It is this legislation which will translate the treaty provisions into American law and which the American courts will apply.

Nor would the division of power as between the States and the Federal Government under the United States Constitution be affected by provisions of the Covenant on Human Rights, under the formula for a so-called Federal–State Article proposed by the United States at the 1950 session of the Human Rights Commission. The gist of the draft Article is that in a country having a federal form of government, rights and duties that are constitutionally within the powers of the Federal Government will remain within the province of the Federal Government, and rights and duties within the powers of the several States, under the Constitution, will remain within the province of the several States. From the outset of the consideration by the United Nations of a Covenant on Human Rights, the United States has insisted upon the inclusion of such a provision, and at the 1951 Session of the General Assembly that body approved consideration by the Human Rights Commission of such a provision for the Covenant.

In addition, every effort has been made, and will continue to be made, by the United States in the several bodies of the United Nations concerned with the drafting of the Covenant on Human Rights, that the Covenant when finally completed shall be in entire harmony with the United States Constitution, including the provisions of the Bill of Rights. If the Covenant is not in entire harmony with the Constitution of the United States, it will not be signed on behalf of the United States; or, at most, it will be signed subject to reservations necessary to make clear that the United States does not accept any provisions inconsistent with our Constitution.

Section 2 of the proposed Amendment would provide:

> "No treaty or executive agreement shall vest in any international organization or in any foreign power any of the legislative, executive, or judicial powers vested by this Constitution in the Congress, the President, and in the courts of the United States, respectively."

Throughout the history of the United States, treaties and other instruments of agreements establishing international organizations have involved cooperation on the part of this Government with other governments. None of these agreements has had the purpose, intention, or effect of divesting any of the coordinate branches of the United States Government of any of its Constitutional powers and vesting such powers in an international organization. Nor are there under negotiation any agreements which would delegate such powers to an international organization.

We agree with the author of the proposed Amendment that "no treaty ever made" by the United States even purports to delegate the legislative, executive or judicial powers of this Government to an international organization. It is generally agreed, for example, that the United Nations is no "superstate", and the author of the proposed Amendment recognizes that the United Nations Charter does not undermine the sovereignty of the United States. On the contrary, the criticism most commonly heard of the United Nations today is that it is too weak and powerless to accomplish its major purpose of maintaining world peace.

Section 3 of the proposed Amendment reads:

> "No treaty or executive agreement shall alter or abridge the laws of the United States or the Constitution or laws of the several States unless, and then only to the extent that, Congress shall so provide by act or joint resolution."

Except for the reference to the Constitution, this provision would result in nullification of the normal treaty processes without achieving any desirable objective, and with undesirable results. Consider, for example, a treaty of friendship, commerce, and navigation of the kind heretofore brought into force by and with the advice and consent of the Senate. Such a treaty usually contains certain provisions, necessary in the interests of stabilizing relations between the United States and a foreign country, which modify existing United States law for specific purposes and within specified limitations. It is desirable that, within the specified limitations, the treaty provisions should, pursuant to Article VI of the United States Constitution (quoted *infra*), prevail over contrary State laws, as they do and have since the adoption of the Constitution. The proposed Section 3 might well have the effect of causing serious difficulties in conducting the foreign relations of this country.

By Section 3 it would apparently be provided that no treaty or executive agreement shall be self-executing in character, i.e., every treaty and every executive agreement would require legislation by Congress in order, as the Section reads, "to alter or abridge the laws of the United States or the Constitution or laws of the several States".

This Section would appear to presume that Congress by joint resolution has authority to alter the Constitution and laws of the several States without regard to the Constitutional limitations in this field.

By Section 4 of the proposed Amendment it would be provided that "Executive Agreements shall not be made in lieu of treaties."

Generally speaking, "executive" agreements are of two classes. Certain executive agreements are entered into by virtue of the fact that the Executive power is by the Constitution of the United States vested in the President. Other agreements—sometimes referred to as "legislative-executive" agreements—are entered into by the Executive pursuant to legislative direction or authorization, either within the framework and intent of existing law or subject to legislative approval or implementation.

Those agreements falling within the Executive domain deal particularly with the Executive's constitutional powers in connection with the conduct of the foreign relations and with the exercise by the Executive of his powers as Commander in Chief of the Army and Navy.

For instance, agreements concerning the recognition of governments, concerning the settlement of certain types of international claims, and the participation in other settlements or negotiations fall within the powers of the Executive in his conduct of the foreign relations. Important examples of agreements entered into by the Executive as to foreign policy are the notes exchanges in 1899 and 1900 with Great Britain, France, Germany, Russia, Italy and Japan, as to the Open Door Policy in China; the Root-Takahira exchange of notes, November 30, 1908, as to the policy of the United States and Japan in the Far East; and the Lansing-Ishii agreement, of November 2, 1917, which was an exchange of notes between the Japanese Ambassador and the Secretary of State with reference to the policies of the respective Governments concerning China.

Agreements concerning truces, arranging armistices for the temporary suspension of military operations, and agreements concerning the exchange of prisoners of war are examples of agreements incidental to the powers of the Executive as Commander in Chief. Thus, the preliminary Articles of Peace between the United States and Spain, signed August 12, 1898, providing for the suspension of hostilities, for the immediate evacuation by Spain of Cuba and Puerto Rico, for the relinquishment of all claim to Spain to sovereignty over Cuba, and for the cession to the United States of Puerto Rico and certain other islands; the Final Protocol signed at Peking, September 7, 1901, by the foreign powers, including the United States, on the one hand, and by China on the other; and the agreement of 1859 between the United States and Great Britain for the joint military occupation of the Island of San Juan, which agreement remained in force until the evacuation of the Island in 1873 by the British forces, were agreements entered into by the Executive in virtue of his powers as Chief Executive and as Commander in Chief.

Examples of agreements entered into by the Executive pursuant to legislative authorization, either prior to or subsequent to the conclusion of the agreement, are: agreements relating to discriminating duties, and tariff and trade agreements entered into pursuant to legislative authorization, including such an agreement with Austria as early as May 7–11, 1829; agreements relating to the payment of money by the United States; postal agreements; agreements relating to copyright and trade-marks; military, economic or technical assistance agreements under the Mutual Security Act of 1951; Point 4 agreements; agreements for the exchange of publications; agreements for the reciprocal waiver of visa fees, etc.

The adoption of an Amendment to the Constitution thus to transfer to the legislative branch of the Government executive powers in innumerable fields would be in violation of the basic division of powers under the Constitution, as among the legislative, the executive and the judicial fields. It would deprive the Executive of means for carrying out Constitutional responsibilities that would remain in him if the Amendment were adopted.

Would the drafters of the proposed Amendment, and the proponents of such an Amendment, propose that the Congress, or possibly the Senate, pass upon all exchanges of notes with foreign powers? After all, each time a foreign power addresses a communication to the Secretary of State or the Executive, and the Secretary of State or the Executive replies, there is an exchange of notes; likewise each time a Foreign Office of another country addresses a communication to a diplomatic officer of the United States, and each time a diplomatic officer of the United States addresses a communication to a Foreign Office abroad, and there is a reply, there is an exchange of notes. Such notes may contain more or less formal agreements. If a foreign ambassador on behalf of his government requests recognition of his government, of its ambassador, of its territories and possessions, of its boundaries, of its public vessels, of its protests, of the validity of treaty provisions with his country, for instance, shall the Secretary of State refuse to reply until the Congress, or possibly the Senate, has acted?

Numerous executive agreements deal with matters of an administrative or technical character. Whether they relate to the supply of water to an American Embassy abroad, relief supplies, weather stations, or exemption from local regulations with reference to quarantine, delousing or fishing licenses, are they to be submitted for approval?

Just how this provision of Section 4 would be interpreted or enforced is not clear. If an executive agreement is entered into pursuant to the power reposing in the Executive because of his power to conduct the foreign relations or because of his power as Commander in Chief, the executive agreement is clearly not made in lieu of a treaty. If an executive agreement is entered into pursuant to an act or a joint resolution of Congress, i.e., if it carries out policy laid down by Congress acting within the powers assigned to it under the Constitution—and many so-called executive agreements fall into this category—the agreement may well be considered as not made in lieu of a treaty.

Granted that the question whether an agreement is of such a character as to call for Senate advice and consent to ratification is at times a technical and difficult one, the situation would not improve by providing by Constitutional amendment that "Executive agreements shall not be made in lieu of treaties". Who shall make the determination of the form in which international agreements are cast—and by what formula? At times treaties have been referred to as the "more important acts", or as the more "formal" of international agreements. No definition automatically includes certain international agreements as treaties and automatically excludes others from that category.

It would further be provided by the second paragraph of Section 4 of the proposed Constitutional Amendment that—

> "Executive agreements shall, if not sooner terminated, expire automatically one year after the end of the term of office for which the President making the agreement shall have been elected, but the Congress may, at the request of any President, extend for the duration of the term of such President the life of any such agreement made or extended during the next preceding presidential term."

The practicalities of such a provision are open to serious question. The attitude of foreign governments toward such a provision, the impossible burden of detail and volume which would be imposed on the Congress, the fact that many executive agreements run in favor of the interests of the United States and contain commitments of foreign governments procured, perhaps after difficult and protracted negotiations, together with the numerous extraneous considerations which would doubtless be injected into the constant review of international agreements, these, and other considerations, demonstrate the impracticality of such a proposal, not to mention the serious unbalancing of the great constitutional division of powers among the executive, the legislative and judicial department of Government.

By a third paragraph of Section 4 of the proposed Amendment it would be provided that:

> "The President shall publish all executive agreements except that those which in his judgment require secrecy shall be submitted to appropriate committees of the Congress in lieu of publication."

So far as publication of "executive agreements" is concerned, it should be pointed out that "international agreements other than treaties" (the term used in the law of the United States regarding publication, 1 U.S.C. 112a) have been printed in the *Executive Agreements Series* and, beginning in 1945, are being printed in the *Treaties and Other International Acts Series*, issued by the Department of State. Those agreements, as well as treaties, have been published also in the *United States Statutes at Large* pursuant to then-existing 1 U.S.C. 30; and, beginning with 1950, are being published in volumes entitled *Treaties and Other International Agreements* pursuant to 1 U.S.C. 112a.

Article 102 of the Charter of the United Nations requires the registration with the United Nations of all international agreements of Members. The United States has endeavored to comply faithfully with that requirement for registration. Agreements, after registration, are published in the *United Nations Treaty Series*. The Department of State considers that it would be unfortunate to include in any amendment to the Constitution a provision implying an authorization to withhold certain agreements from publication in spite of the requirement of Article 102 of the United Nations Charter that "Every treaty and every international agreement entered into by any Member of the United Nations after the present Charter comes into force shall as soon as possible be registered with the Secretariat [of the United Nations][3] and published by it".

The basic assumption of the proposed Amendment is that such an Amendment is necessary in order to protect the Constitutional rights of individuals. This overlooks the safeguards to such rights which arise from the division of powers provided by the Constitution and which have been zealously guarded by the President, the Congress and the Supreme Court throughout our history as a nation.

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[3] Brackets in the source text.

It is true that the Supreme Court has never found a treaty provision to be unconstitutional. The courts have had little occasion to pass directly upon the constitutionality of a treaty. This in itself is significant evidence that the President and the Senate have been scrupulous in their exercise of the treaty power.

It is important to note that in a long line of decisions the courts have established the principle that a treaty may be superseded by a subsequent Act of Congress. See authorities cited in Volume V of Hackworth, *Digest of International Law* (1943), section 489, page 185 and following. The courts thus rank treaties on a par with Federal legislation. No one disputes that the courts would invalidate Federal legislation which violates the Constitution. If the courts hold that an Act of Congress can operate to supersede treaties, they would certainly not rule that treaties are superior to the Constitution. There is thus no basis to assume that the courts will repudiate the principle set forth by the Supreme Court in *de Geofroy* v. *Riggs*, 133 U.S. 258, 267 (1890) and repeated in *Asakura* v. *City of Seattle et al.*, 265 U.S. 332 (1924), that the treaty power does not extend so far as to authorize what the Constitution forbids.

Article VI of the Constitution of the United States provides:

> "This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding."

Attention is called to the fact that Article VI provides that "This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made . . . shall be the supreme law of the Land". Also, attention is invited to the fact that the same sentence provides that the Judges in every State shall be bound thereby "any Thing in the Constitution or Laws of any State to the Contrary notwithstanding." It is misleading to read out of context the provision that "all Treaties . . . shall be the supreme law of the Land." Article VI expressly provides that "This Constitution . . . and all Treaties . . . shall be the supreme law of the Land"; and that the Judges in every State shall be bound thereby, "any Thing in the Constitution . . . *of any State* to the Contrary notwithstanding." [4]

In view of the importance of this proposed constitutional amendment, it is requested that the Secretary or the Under Secretary be afforded an opportunity to appear before the Subcommittee and discuss the Resolution prior to the completion of the hearings. It is anticipated that such an appearance would require approximately three or four hours.[5]

Sincerely yours,

For the Secretary of State:
JACK K. MCFALL
Assistant Secretary [*of State for Congressional Relations*]

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[4] Ellipses in the source text.

[5] A subcommittee of the Senate Judiciary Committee conducted hearings on S.J. Res. 130 on May 21, 22, 27, 28, and June 9, 1952. The Chairman of the subcommittee was Senator McCarran; other members included Herbert R. O'Conor (D.-Md.), Willis Smith (D.-N.C.), Homer Ferguson (R.-Mich.), and Robert C. Hendrickson (R.-N.J.). Under Secretary of State David K. E. Bruce testified before the subcommittee on May 27. For the text of Bruce's testimony, as well as that of others who appeared before the subcommittee, see U.S. Senate, *Hearings before a Subcommittee of the Committee on the Judiciary on S.J. Res. 130*, 82d Cong., 2d sess. The second session of the 82d Congress adjourned without any action being taken on S.J. Res. 130.

Editorial Note

Following the election in November 1952 of Republican candidate Dwight D. Eisenhower as President, Senator Bricker and his adviser, Frank E. Holman, former President of the American Bar Association, considered plans to introduce a version of S.J. Res. 130 when the 83d Congress convened in January. In a letter to Senator Bricker, dated November 6, Holman said that he believed President-elect Eisenhower's reaction to the proposed constitutional amendment would "depend somewhat on who becomes his Secretary of State". He remarked that if "Dewey or John Foster Dulles is Secretary of State we may have almost as much opposition from them as from Acheson, et al." (Ohio Historical Society, John W. Bricker papers)

Sherman Adams, who became the Assistant to President Eisenhower, recalled in his memoirs that in early January 1953, when the President-elect's staff had been meeting at the Commodore Hotel in New York City preparatory to the inauguration, he had received a message from Secretary of State-designate John Foster Dulles regarding the possible introduction in the new Congress of a constitutional amendment pertaining to the President's treatymaking powers. He quoted Dulles as having said, "while a case can be made for *some* amendment to meet the theoretical possibility that the President might negotiate, the Senate might ratify and the Supreme Court might sustain a treaty to deprive the American citizens of their Constitutional rights, the actual amendment, as drawn [apparently a reference to S.J. Res. 130], would go far beyond this and might seriously impair the treaty making power and the ability of the President to deal with current matters, notably U.S. troops abroad, etc., through administrative agreements. I think this whole matter needs to be carefully studied before there is any action."

Adams indicated that, after consulting with General Eisenhower, he had wired Wilton B. (Jerry) Persons in Washington, who was also to become an Assistant to the President, and had asked Persons to convey to Senator Bricker the President-elect's wish that the Senator consult with him before submitting his resolution to the Senate. (Adams, *Firsthand Report* (New York, Harper and Brothers, 1961), page 105) No record of a meeting at this time between the two men has been found at the Eisenhower Library.

On January 7, 1953, Senator Bricker introduced S.J. Res. 1, "Proposing an amendment to the Constitution of the United States relative to the making of treaties and executive agreements," which was then referred to the Committee on the Judiciary. Cosponsored by 63 other Senators, including 44 of the 47 Republicans in the Senate, the wording of the resolution differed somewhat from that of S.J. Res. 130 which had been introduced the previous year. S.J. Res. 1 proposed the following article as an amendment to the Constitution:

> "Section 1. A provision of a treaty which denies or abridges any right enumerated in this Constitution shall not be of any force or effect.
>
> "Section 2. No treaty shall authorize or permit any foreign power or any international organization to supervise, control, or adjudicate rights of citizens of the United States within the United States enumerated in this Constitution or any other matter essentially within the domestic jurisdiction of the United States.
>
> "Section 3. A treaty shall become effective as internal law in the United States only through the enactment of appropriate legislation by the Congress.
>
> "Section 4. All executive or other agreements between the President and any international organization, foreign power, or official thereof shall be made only in the manner and to the extent prescribed by law. Such agreements shall be subject to the limitations imposed on treaties, or the making of treaties, by this article.
>
> "Section 5. The Congress shall have power to enforce this article by appropriate legislation.
>
> "Section 6. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the legislatures of three-fourths of the several States within seven years from the date of its submission."

In letters to Dulles and Attorney General-designate Herbert Brownell on January 7, Senator Bricker stated that he had no intention of "hamstringing the President in the conduct of the Nation's foreign policy." (Ohio Historical Society, John W. Bricker papers) On the same day, Senator McCarran, joined by Senator Bricker, introduced S.J. Res. 2, "To impose limitations with regard to Executive Agreements," which was referred to the Committee on Foreign Relations.

On February 16, Senator Arthur V. Watkins (R.–Utah), introduced S.J. Res. 43, "Proposing an amendment to the Constitution of the United States, relating to the effect of certain treaties," which, like S.J. Res. 1, was referred to the Committee on the Judiciary. S.J. Res. 43 proposed the following article as an amendment to the Constitution:

> "Section 1. A provision of a treaty which conflicts with any provision of this Constitution shall not be of any force or effect. A treaty shall become effective as internal law in the United States only through legislation which would be valid in the absence of a treaty. Executive agreements shall be subject to regulation by the Congress and to the limitations imposed on treaties by this article.
>
> "Section 2. The Congress shall have power to enforce this article by appropriate legislation.
>
> "Section 3. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the legislatures of three-fourths of the several States within seven years from the date of its submission."

At the Legislative Leaders Conference at the White House on February 16, there was no discussion of the Watkins resolution, but S.J. Res. 1 and 2 were discussed. Secretary of State Dulles urged that Congress go slowly on the Bricker Amendment, which he said was very complicated and which would seriously curtail executive agreements. Senator Robert A. Taft (R.–Ohio) assured the Secretary of State that there would be no hasty action. Senator Leverett Saltonstall (R.–Mass.) referred to S.J. Res. 2 as a dangerous one which had to be watched closely. According to the memorandum by Adams describing this meeting, the general trend of the discussion indicated that the legislators "were not ready to make a stand against the Bricker amendment, although neither did they make a strong stand in favor of it." (Memorandum of February 16 to Joseph M. Dodge, Director of the Bureau of the Budget, Eisenhower Library, Staff Secretary Office records, "Legislative Leaders Conference")

Secretary's Staff Meetings, lot 63 D 75, "February 1953"

Memorandum of Conversation [1]

SECRET WASHINGTON, February 16, 1953.

Subject: Summary of Staff Meeting, 9:30 A.M., General Smith's Office

Participants: General Smith
Mr. Lourie
Mr. Matthews
Mr. Martin
Mr. Armstrong
Mr. Nitze
Mr. Phleger
Mr. Bohlen
Mr. McCardle
Mr. Morton
Mr. MacArthur
Mr. McWilliams
Mr. O'Connor

[Here follow discussion of the situation in Burma, a report by Lourie on various Congressional matters, discussion of legal implications with respect to economic blockades in peacetime and with respect to the right of the Executive branch to extend or terminate a treaty, and discussion of the break in relations between Israel and the Soviet Union.]

Item 6. Bricker Resolution

Mr. Morton reported we had been notified of the beginning of hearings on the Bricker Resolution [2] which limits the treaty making power of the Executive. Mr. Morton said the Secretary would have to lead off the Administration's opposition to this amendment.

Mr. Phleger said he would recommend postponing this matter in its entirety if possible but if this was not possible, he suggested that the proponents of the measure be heard first which would consume considerable time. He said we have all the material and will have it ready for the Secretary if he does have to testify in the near future.

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[1] The author of the memorandum is not identified. Presumably it was William J. McWilliams, Director of the Executive Secretariat.

[2] On Feb. 12 Senator William Langer (R.-N.D.), in a letter to Secretary Dulles, announced that a subcommittee of the Senate Committee on the Judiciary would begin hearings on S.J. Res. 1 and S.J. Res. 43 on Feb. 18 and invited the Secretary of State to appear before the subcommittee. Senator Langer was chairman of both the subcommittee and the Committee on the Judiciary. (711.03/2-1253)

Mr. Morton was asked to see what he could do about putting the hearings off.[3]

Mr. Nitze said he thought this whole thing was tied up in a position of the Administration on such treaties as Genocide and Human Rights—and what we needed was a decision by this Administration as to whether they would continue to back these treaties. Mr. Nitze said he hoped it did not since the Soviets did not join either and they are meaningless.

General Smith said he thought S/P should come up with a plan of tactics to be followed in this regard.

[Here follows discussion of the legislative schedule regarding the Mutual Security Act.]

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[3] In a letter of Feb. 17 to Senator Langer. Assistant Secretary Morton said that Secretary Dulles would appreciate having an opportunity to appear before the subcommittee and to provide certain oral and written statements. He requested that Secretary Dulles be permitted to appear at a later date, the exact time to be determined as a result of discussion with the subcommittee. (711.03/2-1253) The subcommittee conducted its hearings on Feb. 18, 19, and 24, Mar. 4, 10, 16, 27, and 31, and Apr. 6-11. In addition to Senator Langer, the subcommittee included Everett M. Dirksen (R.-Ill.), John Marshall Butler (R.-Md.), Harley M. Kilgore (D.-W.Va.), and Estes Kefauver (D.-Tenn.). For the record of the testimony before the subcommittee, see U.S. Senate, *Hearings before a Subcommittee of the Committee on the Judiciary on S.J. Res. 1 and S.J. Res. 43*, 83d Cong., 1st sess. Regarding Secretary Dulles' testimony before the subcommittee on Apr. 7, see his memorandum of Mar. 31 to the President, p. 1796.

Eisenhower Library, Eisenhower papers, Whitman file

Minutes of the Cabinet Meeting, Held at the White House, 10 a.m., February 20, 1953[1]

CONFIDENTIAL

The following were present:

President Eisenhower

- Vice President Nixon
- Secretary of State Dulles
- Secretary of Treasury Humphrey
- Secretary of Defense Wilson
- Attorney General Brownell
- Secretary of Interior McKay
- Secretary of Agriculture Benson
- Secretary of Commerce Weeks
- Secretary of Labor Durkin
- Hon. Charles R. Hook, Acting Postmaster General
- Federal Security Administrator Mrs. Hobby
- Ambassador Lodge
- Budget Director Dodge
- Director for Mutual Security Stassen
- Governor Adams
- Mr. Cutler
- General Persons
- Mr. C. D. Jackson

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[1] Prepared by Minnich.

[Here follows discussion of an upcoming meeting with the British regarding financial and economic matters.]

2. The Bricker Amendment.

Mr. Dulles warned against the difficulties which would be caused by adoption of the Bricker Amendment to prevent the making of treaties which would affect American domestic laws. The amendment would seriously limit Executive authority and make impossible effective conduct of foreign affairs. Mr. Wilson and Mr. Brownell substantiated this view. Mr. Benson noted that the amendment may be inspired by a desire to make impotent the Trade Agreements Act. Mr. Dulles is to prepare a memorandum for the President and certain Cabinet Members concerning the implications.[2]

The Vice President suggested that support for the amendment developed considerably from opposition to the U.N. Genocide Convention. Mr. Dulles reported a change in United States policy in regard to the Convention which can be helpful in combating the Bricker Amendment.

The Cabinet discussed the manner in which treaties have affected domestic rights, and the President stated his dislike for any changing of the Constitution except by regular procedures.

The President suggested, in connection with the Bricker Amendment, that the administration should act extensively to make known justifications for its position on various issues.

[Here follows discussion of eight other items, among which were the question of possible United States assistance to European countries suffering from the effects of a recent flood as well as a variety of domestic issues.]

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[2] Presumably a reference to the ten-page memorandum, not printed, which was attached to Dulles' letter of Mar. 2 to the President, p. 1785.

Princeton University Library, Herman Phleger papers

Memorandum by the President to the Heads of Executive Departments and Agencies

WASHINGTON, February 25, 1953.

Subject: S.J. Res. 1—"Proposing an amendment to the Constitution of the United States relative to the making of treaties and executive agreements." and
S.J. Res. 2—"To impose limitations with regard to Executive agreements."

The two Senate joint resolutions referred to above have been called to my attention. These resolutions concern matters which directly affect the activities and responsibilities of almost every department and agency of the executive branch.

A sub-committee of the Senate Committee on the Judiciary began hearings on S.J. Res. 1 on February 18. I am advised that the executive departments and agencies will have an opportunity to appear before the committee or to present their views concerning the resolution. In a matter of such fundamental importance it is vital that the Congress know the views of the executive branch. Accordingly, I request the head of each department and agency to examine the effects which these joint resolutions would have on matters coming under the jurisdiction of his department or agency and to prepare an official statement of views concerning them. I also request the head of each affected department and agency to ask the Committee promptly for an opportunity to appear and testify.

The White House staff will cooperate in any way that may be desired in this matter.

The issues raised in these resolutions are of the greatest importance. The constitutional amendment proposed in S.J. Res. 1 would not only impose restraints upon the President or agencies of the executive branch but would affect the powers of the Federal Government as a whole and those of the States. Action by the Congress on either of these resolutions should not be taken without the fullest consideration and debate.

In view of the urgency of coordinating the effort of the departments and agencies affected, a copy of your statement should be forwarded to the White House by Monday, March 2. It is further suggested that the counsel or other appropriate representative of your department or agency be present at a meeting to be held at the White House at 11:00 a.m. Friday, February 27, to effect coordination of the combined efforts.

DWIGHT D. EISENHOWER

711.03/2-2753

Memorandum by the Assistant Legal Adviser for Treaty Affairs in the Department of State (Bevans)

[WASHINGTON,] February 27, 1953.

MEETING OF COMMITTEE TO COORDINATE VIEWS OF EXECUTIVE AGENCIES ON S.J. RES. 1, 2, AND 43 [1]

Mr. Herman Phleger (Code 191—Ext. 4242), Legal Adviser of the Department of State, who had been designated Chairman of the Committee, conducted the meeting.

Others who participated in the meeting were:

Mr. Bernard M. Shanley, Acting Special Counsel to the President, The White House

Mr. Gerald Morgan, Special Assistant on the White House Staff

Mr. J. Lee Rankin (Code 197—Ext. 9), Assistant Attorney General, and Mr. Herzel H. E. Plaine (Code 197—Ext. 50), Department of Justice

Mr. Elbert P. Tuttle (Code 172—Ext. 312), General Counsel, and Mr. John Carlock, Treasury Department

Mr. Roger Kent (Code 131—Ext. 54157), General Counsel, and Mr. Robert Haydock (Code 131—Ext. 7-1200), Department of Defense

Mr. Harold B. Corwin (Code 164—Ext. 4774), Deputy General Counsel, Department of Commerce

Mr. Robert B. Eichholz (Code 189—Ext. 3305), Counsel for Director of Mutual Security

Mr. Roger W. Jones (Code 189—Ext. 425), Assistant Director for Legislative Reference, Bureau of the Budget

The Committee agreed that:

(1) Each Executive agency head would communicate to the White House on Monday, March 2, 1953 its general views on the proposals involved and would indicate any need for additional time; [2]

(2) In view of the hearings being scheduled to reopen Wednesday March 4, General Persons and Mr. Morgan of the White House Staff would informally approach the Senate Committee immediately (on February 27) and seek postponement, leaving the exact length of time to be determined later.

In the course of the discussions it was brought out that:

(a) There are rumors that the Secretary of State might not appear in person

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[1] The source text indicates that the meeting took place at the White House on Feb. 27.

[2] For the views of various executive agencies and departments regarding the three resolutions, see the undated paper prepared in the Office of the Assistant Legal Adviser for Treaty Affairs, p. 1786.

(b) The Executive branch of the Government needs to get its position on the proposals clearly before the public

(c) It would be very helpful to have the proposals considered by the Senate Foreign Relations Committee but there was some question as to whether that was possible from a procedural standpoint

(d) The Attorney General feels that the President would like to go along with Section 1 of S.J. Res. 1 if that is possible; the Department of Justice being of the opinion that Section 1 could be accepted if the language were improved

(e) Section 1 as now written is susceptible of many far-reaching implications, particularly that, if adopted, it may result in the 10th Amendment to the Constitution preventing the negotiation of many treaties containing provisions contrary to State laws

(f) Mr. George Finch, who is working with the Committee in connection with the hearings, urges the proposition that Congress possesses so many powers, such as the power to regulate commerce, declare war, et cetera, that the "which" clause in S.J. Res. 43 would affect the treaty-making power very little

(g) Of the three resolutions S.J. Res. 2 constitutes the most immediate danger because it would become law as soon as it is adopted

(h) The articles by Mr. Zechariah Chafee and Mr. Arthur J. Sutherland, Jr., were good statements in opposition to the proposals, Mr. Chafee's article being printed in the *Louisiana Law Review*, May 1952, and Mr. Sutherland's in the *Harvard Law Review*, June 1952.

CHARLES I. BEVANS

711.03/3-253

The Secretary of State to the President [1]

[WASHINGTON,] March 2, 1953.

MY DEAR MR. PRESIDENT: Hearings on Senate Joint Resolution 1 "Proposing an amendment to the Constitution of the United States relative to treaties and executive agreements" (the Bricker amendment) are scheduled to be resumed March 4, at 10 a.m. before a subcommittee of the Senate Committee on the Judiciary.

I am scheduled to be the first person to testify when those hearings are resumed. I feel strongly that the time for preparation is not adequate. An examination of the draft, which differs in many respects from that presented at the last session, shows that it contains provisions which require the most careful consideration and analysis. Any amendment to the Constitution is a serious matter which should be thoroughly considered, in the light of past history and our present circumstances as well as with a view to our future requirements, before any definitive views are expressed by the government agencies concerned.

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[1] Drafted by Phleger and Bevans.

The proposed amendment specifically places in the hands of the Congress the power to determine what agreements the President may make and imposes other restrictions upon the existing authority of the President in the field of foreign affairs. It also has important implications which could seriously embarrass this nation in the conduct of its foreign relations. I am sending you a memorandum indicating some of those implications.[2]

At the meeting in the White House on February 27 of representatives of various agencies[3] it was clear that each of those agencies needed more time to study the proposed amendment. It is difficult for me to find the time necessary to study the matter while performing my other functions. As the present amendment is considerably different from that proposed last year by Senator Bricker, an entirely new analysis and study are necessary. In view of these considerations I respectfully recommend that a request be made that the heads of the various agencies concerned be granted a postponement of at least some weeks from March 4 in order that they can adequately prepare their testimony.

As the work of preparation and coordination proceeds, it will be possible to suggest more precisely a date for the presentation of the Administration's views.

Faithfully yours,

JOHN FOSTER DULLES

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[2] The attached ten-page memorandum is not printed. It contained essentially the same points as the paper prepared in the Department of State which Secretary Dulles sent to the President as an enclosure to his memorandum of Mar. 31, p. 1796.

[3] This meeting is described in Bevans' memorandum of Feb. 27, *supra*.

L/T files, "Bricker Amendment"

Paper Prepared in the Office of the Assistant Legal Adviser for Treaty Affairs

SECRET [WASHINGTON, undated.]

VIEWS OF U.S. DEPARTMENTS AND AGENCIES ON S.J. RES. 1 AND S.J. RES. 2

The views of the various Executive departments and agencies as indicated in communications addressed to the President in reply to his memorandum of February 25, 1953[1] relative to S.J. Res. 1 and S.J. Res. 2 are summarized below:

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[1] *Ante*, p. 1782.

Atomic Energy Commission—Resolutions could cast doubt on status of important existing arrangements in atomic energy and impede negotiation in future. Concerned with effect of S.J. Res. 2 on long-term uranium procurement arrangements with other governments, some "Top Secret". Postponement requested.

Central Intelligence Agency—Resolutions could be of serious concern if deemed to cover agreements on intelligence matters, most of which should be "classified" in interest of security. Any limitation on Executive agreements would adversely affect CIA.

Civil Aeronautics Board—There are 44 air transport service agreements in addition to important multilateral agreements such as ICAO, the Warsaw Convention and the Geneva Convention, which have an important bearing on aviation matters in this country and which might be affected by the resolutions. It should be determined where balance of public interest lies before any action is taken. Postponement requested.

Defense Department—Statement being coordinated. Senate Committee has been advised Department wishes to be heard. At least one month's study needed.

Defense Materials Procurement Agency—Strategic and critical materials procurement arrangements would be subject to undesirable limitations. "Executive or other agreements" is too broad a term—could refer to contracts. Requests 30-day extension.

Defense Mobilization, Office of—Flexibility in negotiations of agreements for mobilization of economic and military resources for national defense is essential in war or emergency. Cites National Resources Board with Canada as extremely effective, but set up by agreement whose constitutionality might be questionable under Resolutions. Will elaborate material for consolidation with other statements if desired.

Federal Communications Commission—Resolutions would adversely affect FCC activities now carried on pursuant to 38 treaties and other agreements and its activities with the International Telecommunication Union; they would cast doubt on existing agreements. Time extension requested.

Federal Security Agency—Request to testify being made. Statements under preparation; time extension requested. Chief areas of interest: (1) World Health Organization and Sanitary Regulations, especially article on disputes; (2) UN matters bearing on health, education, security, welfare; (3) ILO activities, as social security convention; (4) Executive agreements under TCA, MSA, Fulbright, Smith-Mundt, and Foreign Agricultural Acts (Mexican workers); (5) boundary and water commissions; (6) treaties and agreements on health, welfare, etc., as narcotics and white slavery treaties, and exchange of persons; (7) effect of Sec. 4 on administrative working arrangements on health or movement of drugs and food across boundaries.

Interior Department—Fish, wildlife, water and boundary matters, technical assistance, trade, mines, and territorial matters under Department's jurisdiction would be affected. Study is under way.

Justice Department—Statement under preparation. Postponement desired.

Labor Department—Statement (tentative) was forwarded.

ILO—S.J. Res. 1, Sec. 2, would affect ILO activities; S.J. Res. 2 would have no impact. ILO goals and methods described. Treaties dealing with domestic matters (e.g., minimum wages) are justified. U.S. has ratified only 3 conventions, all maritime; Senate has approved 4 more. Conventions are drafted to avoid abrogating constitutional rights; have Federal-State clauses. Arts. 24–34 of ILO Constitution re complaints of failure to secure observance could be counter to Sec. 2.

Migrant Labor Agreements—Now negotiated under broad Congressional legislation. Speedy and decisive action is imperative. S.J. Res. 1 would subject such agreements to delays leading to changes, retractions, repudiations, etc. Art. 30 of Migrant Labor Agreement of 1951 re submission of disputes to a joint U.S.-Mexican board could be contrary to Sec. 2.

Trade Agreements—Nothing in present handling that calls for further restrictions.

Mutual Security Agency—Postponement requested. Observations:

(1) S.J. Res. 2 very disadvantageous on MSA, ECA, and TCA agreements. Rights of access for American citizens and protective rights given by other countries in such agreements would not willingly be given without assurance of continuance of agreement for reasonable time. Sec. 4 of S.J. Res. 1 would make authority to negotiate questionable. (2) Use of military bases, exemption of U.S. forces from foreign process, etc., are included in MSA agreements. Implementing details must be undisclosed. Congressional debate might make it impossible to negotiate. Reciprocity provisions of status of forces agreements might run counter to Secs. 2 and 1 of S.J. Res. 1. (3) American private investment abroad needs protection of commercial treaties whose reciprocal rights might be counter to Secs. 1 and 2. (4) Tentative agreements (as Lisbon Agreement with French during 1952 NATO meeting[2]) are necessary; might be unconstitutional under Sec. 4.

Reconstruction Finance Corporation—Not affected by S.J. Res. 1. Time limit and publication features of S.J. Res. 2 would adversely affect agreements for abaca production, tin purchasing, and strategic and critical materials procurement. If S.J. Res. 2 appears likely to pass, attempt should be made to exempt such agreements or contracts.

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[2] Reference is to the Ninth Session of the North Atlantic Council, held at Lisbon, Feb. 20–25, 1952; for documentation, see vol. v, Part 1, pp. 107 ff.

Securities and Exchange Commission—International negotiations re investments, the financial community, and corporate disclosure policies would be hampered or frustrated. Best interest of public would suffer. Will comment more fully if desired.

The following agencies indicated that they were not directly affected by the Resolutions:

American National Red Cross
Civil Service Commission
Defense Transport Administration
Federal Deposit Insurance Corp.
Federal Mediation and Conciliation Service
Federal Power Commission
Federal Reserve System
Federal Trade Commission
Fine Arts Commission
Housing and Home Finance Agency
Indian Claims Commission
National Capital Planning Commission
National Gallery of Art
National Labor Relations Board
National Mediation Board
National Science Foundation
Railroad Retirement Board
Small Defense Plants Administration
Smithsonian Institution
Tariff Commission
Tennessee Valley Authority
War Claims Commission

The Panama Canal Co. was not prepared to state its views at the time. *National Security Resources Board*, in process of liquidating, will submit memorandum later.

MSA-FOA Director's files, FRC 56 A 632, box 9, "Treaties Bricker Resolution"

The Counsel to the Director of Mutual Security (Eichholz) to the Director of Mutual Security (Stassen)

CONFIDENTIAL WASHINGTON, March 6, 1953.

Subject: Bricker Amendment

At a meeting this morning in the State Department, chaired by Mr. Phleger, the following points developed:

1. The Vice President had secured Senator Langer's consent to a two week postponement of appearances by the Executive Branch. Apparently the Senator considers that this two week period ends March 14. At any rate he is reported to have said at a Committee

meeting the other day that all testimony must be in by March 17, that the Committee staff must have the Sub-Committee's report ready by March 24, and that the full Judiciary Committee would consider the matter March 27.

2. Mr. Phleger is becoming increasingly concerned at the increasing evidence of the tremendous head of steam behind this matter and the evident efforts by Senators Bricker and Langer and certain members of the Bar Association to jam it through without adequate hearing. Senator Langer, incidentally, is the only member of the Senate to have voted against the U.N. Charter, so his prejudices are understandable. In addition, a number of Republican Members of Congress have expressed themselves to the effect that the anti-U.N. issue together with the Treaty issue is a powerful vote getter in their districts.

3. A number of Senators (Senator Smith of New Jersey was particularly mentioned in this connection) apparently privately expressed discomfiture at having been associated with the Bricker Resolution and would be glad to find some way to dissociate themselves from the whole enterprise. Possibly the play to substitute the Watkins Resolution presents this opportunity.

4. The Vice President assured General Persons that, if necessary, he would get a further postponement from Senator Langer. This will be attempted and, if unsuccessful, presumably the President will personally intervene.

5. Secretary Dulles' calendar has been so full and will continue to be so full for the immediate future that it will be impossible for him to devote adequate attention to this matter for some weeks yet. Nevertheless it was agreed unanimously and emphatically by all present that it was absolutely essential for him to lead off Executive Branch testimony. Quite aside from this being primarily a State Department matter, any witness other than Secretary Dulles would be put in the position by the Committee of contradicting the Secretary's supposed attitude in this matter as set forth in his Louisville speech,[1] the pertinent paragraph of which reads as follows: (this appears on the first page of the Report of the Bar Association Committee on Peace and Law [2]):

> "The treaty-making power is an extraordinary power liable to abuse. Treaties make international law and also they make domestic law. Under our Constitution treaties become the supreme law of the land. They are indeed more supreme than ordinary laws, for congressional laws are invalid if they do not conform to the Constitution, whereas *treaty law can override the Constitution.* Treaties,

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[1] Dulles' address at the regional meeting of the American Bar Association in Louisville, Kentucky, Apr. 11, 1952, a copy of which is in file 711.03/4–1152.

[2] This report has not been further identified.

for example, can take powers away from the Congress and give them to the President; they can take powers from the state and give them to the Federal Government or to some international body and *they can cut across the rights given the people by the constitutional Bill of Rights.*"

It was the feeling that, until the Secretary has the opportunity to explain this away, Executive Branch testimony will not accomplish much.

6. There was some discussion of attempting to get articles on the subject written in legal periodicals and other more public media. In this connection, I mentioned the request made of you by the Washington Post and what your preliminary attitude had been. All agreed with your decision not to publish anything on this subject before Secretary Dulles has spoken for the Administration, and all further agreed that it would probably be desirable for you to write something to appear in print very shortly thereafter.

7. The plan is for State and Justice to argue the principles involved, and for Defense, Treasury, DMS et cetera to describe how their operations would be affected. However, it was recognized that you are in a somewhat special position in this matter because of your previous activity in the Bar Association and it may be desirable for you to go somewhat farther afield than purely MSP operations. In any event, Mr. Shanley will shortly wish to come to see you for advice on strategy and tactics.

8. There will be another meeting Friday, the 13th,[3] at which time each agency is expected to have an outline of the points it will wish to make in testimony. I had already held a meeting this week of the MSP lawyers from the operating agencies at which I requested memoranda from them on Monday, the 9th. When I receive them I will start drafting an outline of the MSP part of your testimony. Are there any other aspects of the matter you would wish me to cover?[4]

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[3] No record of this meeting has been found in Department of State or MSA-FOA files.

[4] No record has been found of a reply by Stassen.

711.03/3-1253

Memorandum of Conversation, by the Assistant Legal Adviser for Treaty Affairs in the Department of State (Bevans) and George Gray of the Office of the Assistant Secretary of State for Congressional Relations

CONFIDENTIAL WASHINGTON, March 12, 1953.

Subject: Discussion of the McCarran Resolution, S.J. Res. 2, and Related Problems

Participants: Dr. Thorsten V. Kalijarvi, Staff Associate, Senate Foreign Relations Committee
Mr. Charles Bevans, L/T
Mr. George Gray, H

We met with Dr. Kalijarvi at 4:00 for more than an hour, exchanging frank views on the McCarran Resolution, the Bricker Resolution and related problems.

With respect to S.J. Res. 2, the McCarran Resolution, Dr. Kalijarvi explained that for some time Senator George has felt strongly that some adjustments or arrangements should be made to control the use of executive agreements. He stated that in spite of this Senator George does not like S.J. Res. 2 and considers it unworkable.

Dr. Kalijarvi said that if any hearings are to be held on S.J. Res. 2, he will give the Department of State as much advance notice as possible and would appreciate its views as to which other Departments or agencies would be interested in testifying.

He indicated that the Senate sub-Committee (under Senator Taft's chairmanship) handling S.J. Res. 2 might conceivably be willing to handle it the same as the proposal was handled last year.

He emphasized that there is a feeling on the Hill that the Department of State has repeatedly shown bad faith, that there is a strong feeling that the Executive agencies determine whether to treat an instrument as an agreement to be approved by Joint Resolution or a treaty to be approved by the Senate according to which procedure will be the easiest to obtain approval. He mentioned in this respect the case of the Charter of the International Trade Organization (ITO). He pointed out that after the Senate Foreign Relations Committee had been given to understand that the ITO would be submitted as a treaty, Representative Fulton[1] with the concurrence (and possible encouragement) of the State Department but without further consultation with the Foreign Relations Committee had introduced a bill to approve ITO by Joint resolution.

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[1] James G. Fulton (R.-Pa.).

The St. Lawrence Seaway arrangement was also referred to without any compliments about the way it was handled.

Dr. Kalijarvi, however, referred in an entirely different vein to the handling of the German Contractuals,[2] expressing deep appreciation for full consultation on the subject and for Mr. Riddleberger's[3] forthright explanation to the Committee of the desirability of handling certain parts of the Contractuals as executive agreements.

Dr. Kalijarvi suggested the consideration of an arrangement between the Executive and the Congress indicating the types of agreements that would be submitted to the Senate for approval as treaties and those which would be submitted for approval by Joint Resolution.

We expressed some doubt as to the possibility of drawing a line which would be feasible, pointing out that attempting to establish what might seem like reasonable classifications may simply result in a finding that the classifications would be too rigid and could not be followed or so general that they served little purpose. We indicated that perhaps if some way were found to remove the feeling of bad faith and avoid any further procedures which might give rise to it, the problem would, to a large extent, be solved. We also explained that because of the many problems of negotiation and related matters, the Executive has more information on which to make the decision as to procedure and must avoid losing the flexibility of decision necessary to meet urgent problems.

It was agreed that Mr. Bevans and Mr. Gray would explore in the Department the possibility of having the President or the Secretary of State inform the Senate, or otherwise make a unilateral declaration to the effect that whenever the Executive agencies perceived a question as to which procedure should be followed in a particular case, there should be informal consultation with the Senate Foreign Relations Committee and other Congressional leaders with a view to deciding upon the course of action to be followed.

Following this line of thinking, Dr. Kalijarvi said that he thought that something along the following lines, if announced by someone in the Executive branch, would be especially useful:

> "Congress cannot by its own action alter the Constitution insofar as the treaty-making power is concerned. A power given to the President by the Constitution remains in that branch and will continue to remain there so long as the Constitution remains in its present form. I recognize the difficulties in determining the manner in which agreements shall be submitted to the Congress,

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[2] For documentation regarding the negotiations leading up to and the signing of the German Contractual Agreements in May 1952, see volume VII.

[3] James W. Riddleberger, Director of the Bureau of German Affairs.

both as to those which are submitted as treaties,[4] joint resolutions, or those which do not require Congressional approval.

"These differences have given rise to a long-standing dispute between the Executive branch and the Congress concerning the handling of international agreements. It must be recognized that it would be difficult to fit all agreements into set categories. At times there may be disagreement as to the manner in which agreements are handled. The Executive Branch cannot disregard the freedom of action which is necessary for its operations in the foreign affairs field. In the interest of orderly procedure, however, I feel that the Congress is entitled to know the considerations that enter into the determinations as to which procedures will be followed. To that end, when there is any question of this nature, the Executive Branch will consult with appropriate Congressional leaders and Committees in determining the most suitable way of handling international agreements as they arise."

In referring to S.J. Res. 1, Dr. Kalijarvi indicated that the fact that 60 some Senators were cosponsors on that proposal made it a very serious matter but that there remained several hurdles; that even though the subcommittee should render a report favoring the resolution there are Senators who will vote against it.

Throughout the discussion, it was apparent that Dr. Kalijarvi's grasp and understanding were not limited to the Senate's problems alone but extended remarkedly to the Department's day-by-day and long range work of conducting the foreign affairs of the Government. He was significantly sympathetic to the Department's problems while presenting clearly the Senate Committee's views and feeling in the premises.

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[4] The handwritten phrase "those which require?" was inserted at this point in the source text.

Eisenhower Library, Eisenhower papers, Whitman file

Minutes of the Cabinet Meeting, Held at the White House, 10 a.m., March 13, 1953[1]

CONFIDENTIAL

The following were present:

President Eisenhower

Vice President Nixon	Mrs. Hobby
Secretary Dulles	Director Dodge
Secretary Humphrey	Mr. Stassen
Secretary Wilson	Governor Adams

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[1] Prepared by Minnich.

Attorney General Brownell
Hon. Charles R. Hook,
  Acting Postmaster General
Secretary McKay
Secretary Benson
Secretary Weeks
Secretary Durkin
Gen. Persons
Mr. C. D. Jackson
Mr. Cutler
Mr. Hughes
Mr. Shanley

(Mr. Hauge and Mr. Flemming attended during discussion of Items 1–4.)

[Here follows discussion of Federal Government purchases of land in the Falcon Dam area and of foreign economic policy.]

3. *Bricker Amendment*. Mr. Dulles noted again the possibility of a head-on collision between the Administration and the supporters of Senator Bricker's amendment, and urged that every effort be made to find a suitable alternative. He described the amendment as "impossible" even if revised, but he thought the Bricker group had already accomplished much of its purpose by calling public attention to the potential danger of treaty-made law.[2]

The Vice President suggested the possibility of a resolution as an alternative which would express the sense of the Bricker objectives. Mr. Stassen noted a study by a section of the American Bar Association which favored a "reserve" paragraph in treaties.[3]

It was agreed that Mr. Humphrey would discuss the matter with Senator Bricker.

This discussion led to further comment on the difficulties created for the Administration by continuing Congressional investigations. Mr. Weeks commented that such investigations would soon reflect on this Administration rather than on the past one. The President commented on the need for Congress and the Administration to cooperate in building an admirable record by 1954 or run the risk of losing control of Congress. The President suggested that Cabinet Members inform General Persons of any individuals not in Government who might on occasion be helpful in promoting good relations with Congress.

[Here follows discussion of the St. Lawrence Seaway, various kinds of controls recommended by the Defense Mobilization Board, matters related to the Civil Service Commission, the reorganization of the Federal Security Administration, and a letter which the President had recently received from Ambassador Draper.]

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[2] In his book *Ordeal of Power*, p. 143, Emmet John Hughes, commenting on this meeting, quoted Secretary Dulles as saying with respect to the Democrats' position on the Bricker Amendment: "They're being damn smart. They're casting themselves in the role of Eisenhower supporters, just the way they played it in the declaration of Yalta."

[3] This study has not been further identified.

711.03/3-3153

Memorandum by the Secretary of State to the President [1]

TOP SECRET [WASHINGTON,] March 31, 1953.

Subject: Bricker Resolution

I understand that at the last Cabinet meeting, where I was represented by General Smith, discussion was had regarding a proposal to set up a so-called "Bricker Commission" to consider the Constitutional amendment on the treaty-making power.[2] If this is acceptable to Bricker, I assume that my hearing, set for April 6, will be postponed. Otherwise, I shall have to testify on that date. I enclose herewith a draft of my proposed statement. This is perhaps longer than you will want to read *in toto*, but I hope you will at least read the section on page 11,[3] where I make a declaration with respect to the prospective handling of Executive agreements. This or some alternative should have your approval. I might add that the procedure therein suggested is substantially what has been informally worked out between this Department and the staff of the Foreign Relations Committee.

The enclosed statement covers our agreed positions in relation to the Covenant on Human Rights and the Covenant on Political Rights for Women. It does not cover our position on the Genocide Convention.[4] However, at the hearing, I will doubtless be pressed on this point. I am disposed to take the position that more than four years have now elapsed since the treaties were signed. In the meanwhile, the Soviet bloc countries have either refused to ratify or have ratified with major reservations. Furthermore, they have flagrantly violated the treaties, and there seems to be no effective redress. Therefore, it would not seem that any great good could be accomplished by our ratification at this time, but rather that the whole matter should be kept under advisement with a view to finding a better remedy for the proclaimed evil, when world conditions have become more stable and when higher standards of conduct are more generally accepted.

JOHN FOSTER DULLES

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[1] Drafted by the Secretary of State.

[2] This is a reference to the Cabinet meeting of Mar. 27, at which time the Bricker Amendment was briefly discussed. The minutes of this meeting are in the Eisenhower Library, Eisenhower papers, Whitman file.

[3] This is a reference to Dulles' analysis of "Section 4" of S.J. Res. 1, p. 1802

[4] For documentation regarding the consideration by the United Nations of these two covenants and of the Genocide Convention, see volume III.

[Enclosure]

Paper Prepared in the Department of State [5]

TOP SECRET

[WASHINGTON,] March 30, 1953.

DRAFT STATEMENT

THE PENDING RESOLUTIONS

S.J. Res. 1 and S.J. Res. 43 involve proposals of the utmost importance. They would basically change the Constitution of the United States relative to the making of treaties and executive agreements.

Each of the resolutions would deprive the nation of treaty-making power in large areas. They would deny to all treaties the force of law, making their enforcement depend on subsequent action of the Congress and, in the case of S.J. Res. 43, also of the 48 States. In relation to the current, day-by-day, conduct of foreign affairs, the Resolution would end the President's position as one of the coordinate branches of our Government and subject him to Congressional control.

Obviously, these far-reaching proposals should not be enacted without careful study.

THE HISTORICAL BACKGROUND

Our present constitutional system was framed in the light of the national dangers which had resulted from the feeble power of the Confederation to deal with foreign affairs.

Perhaps the most urgent reason for calling of the Convention which framed our Constitution was the fact that treaties made under the Articles of Confederation were not enforceable because they operated upon the States and not upon individuals. There was no federal judiciary with authority to enforce treaties as part of the internal law.

Out of this grew the treaty provisions of our Constitution. A reading of the debates of the Convention and of the Federalist papers shows the extreme care that was taken in their formulation. They reveal too that some of the proposals contained in the resolutions now being considered were advanced and rejected. For instance, Gouverneur Morris made a motion that no treaty should be binding "which is not ratified as a law." This was voted down 8 to 1 (2 Farrand 392).

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[5] The author of the paper is not identified.

The treaty-making power, as it was written into our Constitution, is, to be sure, a vast power. Treaties made by the President and concurred in by a two-thirds vote of the Senate become "law of the land". No limitation upon the treaty-making powers are explicitly defined in the Constitution or decisions of the Supreme Court. But the treaty-making power is not an unlimited power. All of the Supreme Court cases which deal with the subject are uniform to that effect.

Furthermore, while the Constitution provides that treaties made under the authority of the United States shall be the supreme law of the land, they only rank on an equality with Congressional enactments.

The effect of any treaty as internal law can be overcome by a simple act of Congress.

That is a Constitutional fact which must be, and is, accepted by all other nations which make treaties with us.

The present system has worked well for 160 years. The Supreme Court has never had occasion to hold a treaty to be unconstitutional. On the other hand, no treaty has ever yet been made which can be cited as an example of the abuse of the treaty-making power. These two circumstances are persuasive evidence of the care with which treaty power has been exercised during the entire existence of our Republic.

Basis for Proponents' Fears

During recent years there has developed a tendency to advocate the treaty-making process as a desirable instrument to effectuate reforms, particularly in relation to social matters, and to impose upon our Republic conceptions regarding human rights which many feel are alien to our traditional concepts. This tendency caused widespread concern, a concern which is reflected in the proposed resolutions before you, resolutions which first took form in a prior Congress.

I believe that that concern was there a legitimate one. Those who shared it were alert citizens. I believe they have performed a patriotic service in bringing their fears to the attention of the American public.

Partly as a result, there has been a reversal of the trend toward trying to use the treaty-making power to effect internal social changes. This Administration is committed to the exercise of the treaty-making power only within traditional limits. By "traditional" I do not mean that to imply that the boundary between domestic and international concerns is rigid and fixed for all time. I do mean that treaties are contracts with foreign governments designed to promote the interests of our nation by securing action by others in a way deemed advantageous to us. I do not believe that treaties should, or constitutionally can, be used as a device to circumvent the procedures established in relation to what are essentially matters of domestic concern.

The Present Trend

To illustrate my point about the change of trend, I may point out:

1. The present Administration intends to encourage the promotion elsewhere of human rights and individual freedoms, but to favor methods of persuasion, education, and example rather than formal undertakings which commit one part of the world to impose its particular social and moral standards upon another part of the world community, which has different standards. That is the point of view I expressed in relation to the Japanese Peace Treaty. Therefore, while we shall not withhold our counsel from those who seek to draft a treaty or covenant on Human Rights, we do not ourselves look upon a treaty as the means which we would now select as the proper and most effective way to spread throughout the world the goals of human liberty to which this nation has been dedicated since its inception. We therefore do not intend to become a party to any such covenant or present it as a treaty for consideration by the Senate.

2. This Administration does not intend to sign the Convention on Political Rights of Women. This is not because we do not believe in the equal political status of men and women, or because we shall not seek to promote that equality. Rather it is because we do not believe that this goal can be achieved by treaty coercion or that it constitutes a proper field for exercise of the treaty-making power. We do not now see any clear or necessary relation between the interest and welfare of the United States and the eligibility of women to political office in other nations.

These same principles will guide our action in other fields which have been suggested by some as fields for multilateral treaties.

3. The Constitution provides that the President shall have power to make treaties by and with the advice and consent of the Senate. This Administration recognizes the significance of the word "advice". It will be our effort to see that the Senate does not get its opportunity to "advise and consent" so late that it either has to adopt treaties it does not like, or imperil our international position by rejecting what has already been negotiated out with foreign governments.

Prevention of Abuses of Power

The American people, by putting into office an Administration which holds the point of view I indicate, have effectively demonstrated one of the many ways by which abuses of the treaty-making power can be avoided. In one way or another, abuses have been avoided throughout the life of our Republic. The question thus is whether, in the face of 160 years of non-abuse of the treaty-making power, it is desirable to amend our Constitution as now proposed.

I have been sympathetic to the point of view reflected in S.J. Resolution 1, and I have so expressed myself. I have, however, now come to the conclusion that this whole matter requires further study, because analyses of the pending resolutions show that it may weaken our government in the field of foreign relations in ways which I know the proponents of the resolutions do not intend or desire. Close analysis shows that it is difficult, if not impossible, to amend the Constitution so as to exclude possible abuses, without incurring risks that are far greater than the risk that the present powers will be abused.

Present Importance of Treaty Power

In this connection, may I point out that more than ever before in history it is essential that the United States should be able to make binding and effective contracts with other nations. Today about 50 free countries, representing approximately two-thirds of the people and natural resources of the world, face a mortal threat. That threat comes from a single totalitarian dictatorship which rules one-third of the peoples and natural resources of the world.

This single despotic power has enormous advantages unless the free nations can work together. This cooperation cannot be achieved by imitating the imposed unity of our potential enemy. In the main, our working together must be achieved through such exercise of the treaty power and executive agreement power as will coordinate our military and economic strength, and so that friendly cooperation and understanding are promoted. The ability to use treaties to effect this result can become a matter of national survival.

Furthermore, we must keep open at least the possibility of making treaties with our potential enemies which will mitigate the dangers and ease our burdens through measures which would effectively control armaments.

If, unhappily, general war should come, the President as Commander-in-Chief would have to achieve unity of action with our allies through executive agreements. And when victory was won, we should have to make treaties of peace—as we still have to conclude a formal treaty of peace with Germany.

It is against this background that the pending Resolution must be judged.

Discussion of Resolution: Section 1

I could discourse about Resolution 1 at length. It may, however, be enough, if, at this time, I illustrate why in my opinion this pending Resolution, despite the good intentions which prompt it, actually could be dangerous to our peace and security.

Section 1 of the Resolution provides that no treaty shall abridge any right enumerated in the Constitution. The Constitution specifies the power of Congress to declare war. Does Section 1 of the proposed Constitutional amendment mean that the United States can never make a treaty which would outlaw war? Can we never agree, with other nations, to abridge the present unqualified right of Congress in relation to war? Surely this is no time for the United States to make itself unable to enter into treaties which would effectively ban the terrible spectre of a war.

Further, Section 1 might prevent in the future, and perhaps invalidate for the present and future, peace treaty provisions, such as those of the Japanese Peace Treaty, which limit the individual reparations claims of United States citizens. Such treaty provisions might be held to abridge the "due process" clause. If individual American claims to reparations are not subject to peace treaty disposition, our nation will have lost the capacity to turn a past enemy into a future valued and vigorous friend. It would mean that wars would inevitably end in prolonged chaos.

Section 2

Section 2 of the proposed Resolution says that no international organization may supervise or control the rights of citizens of the United States within the United States if those rights are enumerated in the Constitution or are "essentially within the domestic jurisdiction of the United States." This could mean that the United States could not make treaty arrangements for the international control of atomic energy and atomic and other weapons along the lines of the so-called Baruch Plan. The United States has always insisted in negotiations and debate with the Soviet Union that no limitation or control of armaments would be acceptable unless enforced by strict international supervision. This the Soviet Union has so far refused to permit. Surely this is no time for the United States to make itself unable to participate in the effective international control of armaments.

And how about international supervision of aviation, radio, narcotics, land quarantine requirements? Mere assertion that these are international and not domestic matters will not settle the question. We can but speculate as to what decisions the Supreme Court may reach as to the meaning and application of such a broad amendment to our Constitution.

Section 3

Section 3 of the proposed Resolution says that no treaty shall become "law of the land" except through legislation by the Congress. This would make it so much more difficult to consummate effective treaties that our nation's ability to deal with other nations would be gravely impaired. It would mean that all treaties which operate within the United States would, in the first instance, have to be consented to by the Senate by the traditional two-thirds majority and then also, at a later date, be put into force by laws requiring the concurrence not only of the Senate but also of the House.

In the past it has often been charged that our present Constitutional treaty-making process is too difficult, being subject to block by ⅓ plus 1 of the Senators present. This has been criticized as "government by minority." It has also been suggested that the ⅔ Senate requirement be abandoned in favor of a majority of both the Houses. But never before has it been suggested that a ⅔ vote of the Senate is not enough—that there must also be a majority vote of the House of Representatives if a treaty is to be effective within our country.

In many countries, the Senate or Upper House has become relegated to an unimportant role. In this country, the Senate has proudly executed the unique role of participating with the President in the making of treaties. It would occasion surprise and misgivings in many quarters if the Senate should now feel so unsure of itself that it sought to subject its ⅔ approval to veto by a majority of the House.

Section 4

Section 4 of the proposed Resolution deals with Executive Agreements. It provides that the President cannot make any agreement of any sort with any foreign government or official except as the Congress may prescribe. This section would make it impossible for the President to handle the current conduct of foreign affairs as the head of one of the coordinate branches of government. It would drastically alter our present Constitutional concept of balance of power by making the President in the field of foreign relations a servant of the Congress.

Executive Agreements of major importance are now customarily made pursuant to Congressional or treaty authorization, or depend on Congressional action for their implementation.

But every day the President, directly or through his agents, makes minor agreements of some kind or description with other governments or officials. There are masses of agreements made, and changed, almost daily with relation to the development of foreign bases and disposition of our troops abroad. There are many agreements with other governments to impose restrictions upon trade with areas unfriendly to us.

A short time ago, on behalf of the President, I was able to reach agreement with the Governments of the United Kingdom and of France that they would impose restrictions on trade with Communist China. There is an agreement that the NATO countries will meet again in Paris on April 23. There are agreements regarding a host of matters. This proposed Resolution would subject this entire process to Congressional prescription.

I know full well that the proponents of this Resolution are not activated by a purpose to subordinate the President to the Congress in such matters. But that is what the amendment would do. It would so detract from the authority of the office of the President of the United States that his capacity to deal with international affairs would be gravely impaired.

Executive Agreements

One must recognize that there has been legitimate criticism of the exercise of the Executive power to make agreements in the foreign field. It is charged that the Executive has employed such agreements in lieu of treaties because of an unwillingness to submit them to the advice and consent of the Senate. Whatever legitimate fears there may have been on this score, I wish to dispel.

I am authorized by the President to advise this Committee, the Senate Foreign Relations Committee, and the House Foreign Affairs Committee as follows:

> "It has long been recognized that difficulties exist in the determination as to which international agreements should be submitted to the Senate as treaties, which ones should be submitted to both Houses of the Congress, and which ones do not require any Congressional approval.
>
> "Differences of opinion resulting from these difficulties have given rise in the past to disputes between the Executive Branch and the Congress concerning the handling of international agreements. It must be recognized that it would be extremely difficult if not impossible to fit all agreements into set categories. At times there may be disagreement as to the manner in which agreements are to be dealt with. While recognizing this, the Executive cannot surrender the freedom of action which is necessary for its operations in the foreign affairs field. In the interest of orderly procedure, however, I feel that the Congress is entitled to know the considerations that enter into the determinations as to which procedures are sought to be followed. To that end, when there is any serious question of this nature and the circumstances permit, the Executive Branch will consult with appropriate Congressional leaders and Committees in determining the most suitable way of handling international agreements as they arise."

S.J. Res. 43, which follows the language proposed by a Committee of the American Bar Association, contains a further provision. This would require that no treaty shall be effective in any field in which

Congress in the absence of a treaty cannot legislate. This would create a No-Man's Land in foreign affairs. It would require the concurrence of all 48 States to make effective such common treaties as treaties of Friendship, Commerce and Navigation, extradition, reciprocal inheritance taxation, migratory birds, collection of foreign debts, and status of foreign troops. In this field of foreign affairs our country would not speak with one voice but with 49. The primary objective of the framers of our Constitution in this respect would be defeated.

A Balancing of Risks

I feel sure that the proponents of the Resolutions do not intend to do other than to eliminate the risk of abuses. Their motives are, I know, of the highest. The trouble is that when it comes to putting their desire into legal form the result is greatly reduced capacity for national action in an area where it is of the utmost importance, particularly now, that our nation should have power.

Of course, there can never be power without risk of its abuse. But our present Constitutional processes have worked successfully for 160 years. Never during this period has any actual treaty produced the results which the proponents of the Resolution fear. Whenever there has seemed to be danger of that, the people of the United States, the Senate of the United States, and the Executive Branch of the United States have all moved in concert to repel that danger. What has happened in recent months, including the exertions of the proponents of the Resolution, demonstrates that the Resolution is unnecessary. The trend they feared has been checked. Indeed, it has been reversed. In this connection, a special tribute is due to Senator Bricker. It can indeed be judged that the proponents of this Resolution have themselves demonstrated that its enactment is unnecessary.

The End of an Era of Distrust

Today our nation faces many perils—more, probably, than ever before in its history. Not all of these perils are from abroad, some of them are from within. One of the great perils comes from the fact that the American people seem to be developing a distrust of one another.

Distrust is a negative quality. It creates a climate which paralyzes constructive achievement.

This Resolution was born out of an era of distrust which I am convinced is now passing. I believe that the American people can have confidence in themselves and in the leadership which they have chosen. I believe that the Senate can have faith in itself.

The Resolution cannot be adopted by ⅔ of both Houses of Congress and by the legislatures of ¾ of the States except as it wins support through promoting distrust as to the capacity of the American people to see and resist threats to their liberty; distrust of the United States Senate as one of the guardians of their liberty; and distrust of the President as their Chief Executive. This is no time to evoke fears, even to secure what might under other circumstances be a desirable Constitutional amendment.

This is the time to show confidence in ourselves and to inspire confidence on the part of our friends.

For these reasons, I urge that the Resolutions should not now be favorably reported.

The Department of State has prepared a more detailed memorandum dealing with the questions raised by these resolutions. I submit this for the information of the Committee and ask that it be included, with its annexes, in the record of this hearing.

Eisenhower Library, Eisenhower papers, Whitman file, Dulles–Herter Series

Memorandum by the President to the Secretary of State

TOP SECRET [WASHINGTON,] April 1, 1953.

Herewith I return your draft statement on the Bricker Amendment.[1] In general, the paper expresses the point of view that I believe to be correct. However, I think that, as a persuasive paper, it is in error in emphasizing certain contentions. Not that I disagree violently with the validity of any single statement—but I doubt the usefulness or appropriateness of the argument that the Resolution would make the President the "servant" of the Congress. The probable effect of the Resolution would be, I think, to impede and stifle necessary action in the international field. This in itself is so serious that it is a better argument than that the Resolution would establish a new relationship between the two coordinate branches of Government.

But even if we concede that the traditional relationship would be adversely and seriously upset by approval of the Resolution, I should think that such an argument would be far better used in some place *other* than at a Congressional hearing. There may be individuals in Congress who are convinced that that body should have a much more influential position vis-à-vis the President, especially in the field of foreign relations. Consequently, this argument might be best used before public audiences.

At another place in your paper (page 17 [2]), there is the plain implication that, with a different kind of administration, it might be a good thing to adopt such a Resolution. If this is true, *then I am for the Resolution*. If we must have some amendment to protect our government and our people from what might happen to them under the treaty-making powers of a stupid President and a partisan Senate, then the mere fact that we believe there is no danger during the next four years is *not* a good argument. All through your paper, you make the point that there exist many kinds of influence in and out of government to maintain necessary balances and protect our people. You show that this has been our history through good administrations and bad administrations for one hundred and sixty years. Then suddenly your paper says, ". . . what might, under other circumstances, be a desirable Constitutional Amendment." [3]

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[1] *Supra.*

[2] This is a reference to the fourth paragraph from the end of the paper.

As a consequence of the point just made, there should not be too much emphasis on the contention that the current one is a *good* administration. Of course, we pray and believe that we are seeking what is good for all the people, that we are not merely working for personal aggrandizement, and that this administration is one of good-will and intent. But the whole argument of your paper *should* be based upon principle and on Constitutional wisdom, rather than personal ability and wisdom of individuals.

[Here follow a brief reference by President Eisenhower to a CIA document of March 31, which dealt with an unidentified subject, and the President's comment that he probably should soon make a speech on the question of peace.]

D.D.E.

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[3] Ellipsis in the source text.

Eisenhower Library, Eisenhower papers, Whitman file

Minutes of the Cabinet Meeting, Held at the White House, 10 a.m., April 3, 1953 [1]

CONFIDENTIAL

The following were present:

President Eisenhower

Vice President Nixon	Mrs. Hobby
Secretary Dulles	Ambassador Lodge
Secretary Wilson	Mr. Stassen
Under Secretary of Treasury Folsom	Director Dodge
	Chairman Young

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[1] Prepared by Minnich.

Mr. Brownell
Mr. Summerfield
Secretary McKay
Under Secretary of Agriculture
  Morse
Secretary Weeks
Secretary Benson
Under Secretary of Labor
  Mashburn
Mr. Shanley
Mr. C. D. Jackson
Mr. Cutler
Dr. Hauge
Mr. Morgan
Mr. Hughes

(Mr. Hagerty was present for the discussion of the item concerning television appearances.)

[Here follow comments by the President concerning possible ways to "glamourize" the work of the Foreign Service, consideration of reciprocal trade measures, and discussion of the possible purchase from Great Britain of generators and transmitters.]

Bricker Amendment—Cabinet Members who are called upon to testify on the proposed Bricker Amendment are to present their individual views. Should any determine to support the amendment, they are free to do so but are urged to confer first with the State Department. Secretary Dulles will send to all Cabinet Members copies of the statement he will make.

The President said that he is publicly expressing his own view that the amendment is unnecessary. It would not hurt the President but it would be damaging to the United States, for to protect against any potential error by this means would serve merely to compound the error. He talked at length on the frequency with which Executive Agreements have to be made.

[Here follows discussion of the need for closer liaison with Congress, labor-management problems, television appearances by Cabinet members, the St. Lawrence Seaway, public support for the administration, and the FY 1955 budget presentations.]

Editorial Note

Secretary of State Dulles testified before the Subcommittee of the Senate Judiciary Committee on April 6. His testimony and the supplementary written statement he submitted at that time is included in the Subcommittee *Hearings on S.J. Res. 1 and S.J. Res. 43.*

Later that day, Secretary Dulles telephoned Attorney General Brownell and said that his testimony had gone reasonably well, but that it had been an exhausting experience. He said that the Democrats on the subcommittee had taken no part in the questioning, which had come completely from the Republican members. He warned the Attorney General, who was to appear the following day before the subcommittee, that they were worried by NATO's power to station troops around the world. (Eisenhower Library, Dulles papers, "Telephone Conversations")

Also on April 6, Secretary Dulles spoke by telephone with President Eisenhower about the hearings. The President expressed his surprise about Senator Jenner, who had seemed lately "to want to be on our side." Dulles said that Senator Bricker was moderate and that he had praised him. The President remarked that he could not understand why "the Republicans are against us," and he wanted the Department of State to let him know if he could be of help in the matter. (Eisenhower Library, Dulles papers, "Telephone Conversations")

Following Secretary Dulles, other administration officials testified against the proposed amendments: Attorney General Brownell on April 7, Assistant Secretary of Defense Frank C. Nash on April 8, the General Counsel for the Department of Commerce, Stephen F. Dunn, and Director for Mutual Security Harold E. Stassen on April 9. Leaders of the American Bar Association, including Frank E. Holman, then spoke on behalf of the amendments before the subcommittee concluded its hearings on April 10 and 11.

L/T files, "Miscellaneous"

Excerpt From Speech by Senator John W. Bricker[1]

[WASHINGTON, April 28, 1953.]

I was disturbed when I picked up the paper last night. I got a copy of the speech yesterday that General Bedell Smith made before this association.[2]

Maybe not this section, but before a group of this association. I wish I had been able to explain to them the situation.

I want to say to you very frankly that there were 63 senators with me in this resolution. I don't intend to have any appointed officer of the State Department tell me what I am going to do about it. It is not in my nature when the liberty of my fellow men is imperiled to lie down and roll over because somebody says we don't want you to do it.

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[1] The source text is identified only by the typewritten heading, "Excerpt from speech by Senator John W. Bricker at Business Leadership Luncheon on Tuesday, April 28." According to a newspaper report, Senator Bricker was guest speaker at a luncheon on Apr. 28 in Washington, held in conjunction with the 41st annual meeting of the Chamber of Commerce of the United States. The Senator, according to the report, departed from his prepared remarks to comment on a speech given the previous day before the Chamber of Commerce by Under Secretary of State Smith. (*New York Times*, Apr. 29, 1953.)

[2] For the text of Under Secretary of State Smith's address to the Chamber of Commerce on Apr. 27 at Constitution Hall in Washington, see Department of State Press Release No. 214, Apr. 27, 1953.

They can talk about the unity of the Republican party all they want to. I have worked too long in this party of mine to have somebody come lately into [a] responsible position to say that we're disrupting the plan of the Republican party.

I want to read a statement of Bedell Smith before this association yesterday. He said the questions of the United Nations and NATO lead directly to a third question confronting the administration. I suppose he speaks with authority from the administration. I don't know whether he wrote this or not; I can't believe that Bedell Smith, an assistant Secretary of State, would deliberately mislead the business men of the United States by the statement he made here.

I am inclined to believe that he doesn't understand what he's talking about, that he doesn't know the facts back of this resolution, or doesn't know why he's taking the position he's taken. I'm inclined to think this speech or this section of it was written by another gentleman whom I know and we'll hear about later.

He goes on to say these organizations developed out of the constitutional authority of the executive to make treaties and agreements. Those are made by the president and ratified by two-thirds of the Senate. Without them, continuing Bedell Smith's talk, another organization which developed out of this treaty making authority would have been impossible, and our world position would be far graver than it is today. We might indeed be in a disastrous situation. Proposals now before Congress seek to limit the treaty making powers of the president of the United States.

It is a deliberate misstatement.

We do not intend to change the way of making treaties by the president and the Senate. What we do intend to do and in God's good time it will have to be done, is to say to the rest of the world that the inalienable, God-given rights of the American people are not for barter by anybody, anywhere, anytime.

When the State Department, Mr. President, doesn't understand that [,] it's time to begin to wake up and learn a little bit about the constitution of the United States and its beneficient blessing to the people of our country.

He went on to say the administration is opposed to this proposal. As we see it in this emergency it would tie the hands of the executive to a dangerous degree. John Foster Dulles said a year ago in Louisville [3] that treaty law is a paramount law. It is superior to

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[3] Dulles' address at the regional meeting of the American Bar Association, Apr. 11, 1952, a copy of which is in file 711.03/4-1152.

Congressional law. The Congress of the United States, in enacting a statute must comply with the Constitution of the United States or the Supreme Court will say it's null and of no effect. But the treaty under the Constitution becomes the supreme law of the land when it's enacted. Enactment under the authority of the United States.

What is that authority? The president and two-thirds of the Senate present and voting.

And, said John Foster Dulles, treaty law can transfer powers from the legislative to the executive authority. What power do they want to trade at this time to take away from the legislative and give to the executive? He said further that it can transfer from the states, powers to the federal government. What power do they want to take away from the states and give to the federal government now?

He said further that it can transfer the power of the Congress of the United States and give it to an international organization or governments. What power, Mr. Dulles, what power, Mr. Bedell Smith, do you want to take away from the Congress of the United States and give to an international authority?

All these problems are far more serious [than] to be glossed over by saying the administration is opposed to it. It goes to the very fundamental basic rights of the people of the United States. I am one who wants to preserve the God-given rights and this is the only country on the face of God's green earth in all time that ever looked upon the rights of man to band together here as we are. To speak the truth as I believe I am speaking it now, to write it down if they want to, to assemble together, the right to worship Almighty God according to the dictates of one's own individual conscience.

This is the only nation in the history of all time that has ever looked upon those rights as anything other than a government gives to the people. And if government gives them, government can take them away. And in the Declaration of Independence was that inalienable clause that said these are endowed by the Creator, God Almighty, divinely inspired. The Declaration wrote it down, in definite and indelible language.

The Bill of Rights secured it. But now in the past seven years, under the leadership of Philip Jessup and Dean Acheson and some of the rest of the socialists that are trying to socialize the world and us along with them, under their philosophy, treaty law which overrides all of the acts of Congress, the Constitution of the United States and the laws of the states, and, said Foster Dulles a year ago, treaty law cuts across the rights of the American people, the Constitution and the Bill of Rights.

This amendment will protect the American people by writing a bill of rights against treaty law and will keep their inalienable, God-given rights of the American people within the spiritual realm and never permit them to be transferred to the temporal power of governments, either us or international governments.

How far has this thing gone? There is being prepared today a treaty to be ratified by this country providing for an international court of criminal justice, wherein American citizens would be tried for violating treaty law, if they violate a provision of the international covenant of human rights, if it becomes a law, Genocide or any other provision.

They would be tried not in our courts, but they would be tried in this international court of criminal justice. They would not have the right to a free public trial, they would not have the right to be tried where the crime was committed, they would be tried without a trial by jury. There would be no appeal. There is pending today before the Senate of the United States a treaty with France[4] which would transfer American boys, taken by draft out of American homes, sent over there to protect the soil of France, transfer them away from the American courts and the jurisdiction of the Army and put them in the charge of the French courts where they don't have the right to presumption of innocence but are presumed guilty until they prove themselves innocent.

They don't have the right to trial by jury or a trial where the offense was committed. I want to say to you that the time has come to preserve the inalienable God-given rights of the American people.

I didn't intend to go that far, but when somebody presumes to mislead the American people to believe that I and 63 other Senators are trying to tremor the administration in the conduct of international affairs, it's just a misleading statement, and I don't intend to tolerate it.—Besides, it's in the Republican platform.

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[4] This is presumably a reference to the Status of Forces Treaty signed at London on June 19, 1951, by the United States and other NATO members. It had been submitted to the Senate for ratification on June 16, 1952.

Eisenhower Library, Staff Secretary records, "Legislative Leaders Conference"

Memorandum by the Assistant to the President (Adams) to the Director of the Bureau of the Budget (Dodge)

PERSONAL AND CONFIDENTIAL [WASHINGTON,] June 4, 1953.

The following notes on this morning's Legislative Conference are sent as an *aide-mémoire:*

[Here follows discussion concerning possible legislation to authorize the shipment of wheat to Pakistan, the tax program, NATO Status of Forces legislation, Hawaiian statehood legislation, the Mutual Security Agency appropriation bill, and government reorganization plans.]

Bricker Amendment—Senator Knowland called attention to the strong feeling expressed in the Republican Conference in support of the current revision of the Bricker Amendment. Senator Taft expressed his belief that the matter would not reach debate on the Senate floor before next Spring, but Senators Knowland and Millikin thought Senator Taft underestimated the strength of the favorable sentiment in the Senate. Senators Knowland and Millikin urged that the State Department take a more reasonable approach in discussing with Senator Bricker the possibilities of a compromise. The Vice President suggested that Mr. Brownell should take the matter up with Senator Bricker.

[Here follows discussion concerning personnel policies, the Taft-Hartley Act, and Congressional salaries.]

Eisenhower Library, Dulles papers, "Bricker Amendment"

Memorandum of Telephone Conversation Between the Secretary of State and the Attorney General (Brownell) [1]

WASHINGTON, June 4, 1953.

The Secretary talked with the Attorney General on the phone, since he was rushing to leave town, about a report which Sherman Adams had given the Secretary that the Congressional leaders were pushing the President on the Bricker amendment, and wanted the Secretary to discuss the political angles with the Attorney General.

The Attorney General said that Bricker had phoned and spoken to his Deputy, Mr. Rogers [2] in his absence, and was furious because Langer and Wiley were supporting the President. He indicated to Rogers that he didn't think he could get the bill out of Committee.

The Secretary said that it was reported out of committee, but Langer had added some gimmick so that it wouldn't actually be reported out until the 13th. Phleger said that the bill has been amended with all the worst features of both viewpoints. The Attorney General said the last word he had from the President was to try to keep it in Committee, but he will be back on Tuesday and they will talk about it. Taft was supposed to draft some new language but probably his illness has prevented it. It was taken up at the Leaders meeting today and a strong play was made for compromise.[3] The Secretary said that the White House felt that Phleger was so committed he could not work on a compromise but maybe Brownell could. The Secretary said that he was not persuaded to compromise, he did not see any way to change the language so that it would not be harmful, and he thought it could be defeated, he doesn't believe they can get a ⅔ vote. They both agreed that if the President would stand firm it would probably collapse.

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[1] The source text bears the initials BO'D (Burnita O'Day), Dulles' secretary.

[2] William P. Rogers.

Brownell will be in touch with the Secretary when he returns on Tuesday.[4]

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[3] For a record of the discussion of the Bricker Amendment at this meeting, see Adams' memorandum of June 4 to Dodge, *supra*.

[4] June 9.

Eisenhower Library, Eisenhower papers, Whitman file

Minutes of the Cabinet Meeting, Held at the White House, 10 a.m., June 5, 1953[1]

CONFIDENTIAL

The following were present:

President Eisenhower

Vice President Nixon	Secretary Hobby
Secretary Dulles	Mr. Dodge
Mr. W. Randolph Burgess (for Secretary Humphrey)	Gov. Stassen
	Ambassador Lodge
Secretary Wilson	Chairman Young
Mr. Wm. P. Rogers (for Attorney General Brownell)	Gov. Adams
	Mr. Shanley
	Mr. Cutler
Postmaster General Summerfield	Mr. C. D. Jackson
	Gen. Persons
Secretary McKay	Mr. Hughes
Secretary Benson	Dr. Hauge
Secretary Weeks	
Secretary Durkin	

[Here follows discussion of patronage, the excess profits tax, and a cartoon given the President by Hamilton Fish Armstrong regarding United States policy and Central Europe.]

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[1] Prepared by Minnich.

Bricker Amendment—The President reported to the Cabinet the comments made by the Legislative Leaders the preceding day concerning a strong sentiment in the Senate for the Bricker Amendment. He expressed his belief that even the revised amendment would tie the hands of the President in case of war.

Secretary Dulles emphasized the disastrous effect this amendment would have on the United States by virtue of its reversal of American constitutional principles. He expressed strong support for Mr. Herman Phleger as against the criticism made by Congressional leaders, and he felt that the Congressional leaders desired a compromise of principle on this subject where he believed no compromise possible. The President agreed on the undesirability of compromise, but commented that a salesmanship job was in order to bring the Senate around.

It was agreed that Mr. Brownell and Mr. Phleger should undertake to arrange an alternative solution which would avoid compromise but provide a means of saving face for the interested Senators. General Persons will work closely with Cabinet Members in determining where their personal influence can most effectively be exerted, both on this subject and on others that may arise.

Mr. Benson and others noted the broad support of public opinion for this amendment which has resulted from lack of presentation of its dangers. General Persons commented that the House may accept the amendment as a means of gaining an opportunity to participate in civilian conduct of foreign affairs.

[Here follow a briefing by the Secretary of State on the international situation and discussion of continental defense and various personnel and economic questions.]

Eisenhower Library, Dulles papers, "Telephone Conversations"

Memorandum of Telephone Conversation Between the Secretary of State and Vice President Nixon [1]

[WASHINGTON,] June 5, 1953.

1. The Vice President called to explain to the Secretary that the criticism of Mr. Phleger [2] had nothing to do with his capabilities, only the fact that he and Bricker do not get along. He said both he and Sen. Knowland had spoken up in defense of his ability, but he wanted to be sure that there wasn't any misunderstanding. He said

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[1] There is no indication on the source text as to who prepared this memorandum.

[2] The Vice President was presumably referring to the comments which he and Senator Knowland had made at the Legislative Leadership Conference on June 4; see Adams' memorandum, p. 1811.

that Bricker has been in to see him twice this week and is very emotionally upset over the way the resolution is going. It is quite understandable that they don't get along. The Secretary said that Phleger is working on a joint resolution which they will take up with Brownell when he returns. He said that Phleger was one of the strongest, most dependable fellows he had and his admiration for him has grown greatly.

[Here follows discussion of the remarks which the Secretary of State had made at the Cabinet meeting that morning, of the trip which the Vice President was planning to take to the Far East, and of the President's plans for the Bermuda Conference, which was originally scheduled for later that month but which did not take place until December.]

Eisenhower Library, Dulles papers, "Telephone Conversations"

Memorandum of Telephone Conversation Between the Secretary of State and the Attorney General (Brownell)[1]

[WASHINGTON,] June 11, 1953—9:20 a. m.

The Secretary telephoned the Attorney General and suggested that it would be helpful if Sen. Langer would make a statement explaining why he voted against the substitute language, saying that he did not believe it should be considered until they can hold new hearings. Brownell thought it was a good idea and he will call Sen. Langer about it.

The Secretary mentioned that Sen. Wiley was out on a limb. He has assurance from the President, through Nixon, that the President will not let him down. If we get any place with Bricker on Monday[2] we will have to go to Wiley and make the same proposition. Wiley has been viciously attacked in Wisconsin and had asked the Secretary whether he was going to be supported. Nixon asked the President to withhold the letter which he had dictated to Wiley, assuring him of this support, and told Wiley that the President would stand behind him. Brownell agreed that Wiley would have to be brought in on it, he thinks it is important and will watch it. The Secretary suggested that Brownell also talk to Bricker about the Status of Forces agreement,[3] which Bricker is opposing as a reprisal. The Europeans are getting restive and threatening retaliatory legislation against our troops. The Secretary spoke to Taft who thinks he will have to refer it back to the Foreign Relations Committee giving Bricker a chance to oppose it. Brownell thinks Bricker will go along with that if he gets the other.

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[1] Prepared by Burnita O'Day.

[2] June 15.

[3] Regarding the Status of Forces Treaty, see footnote 4, p. 1811.

The Secretary does not want to be the "devil" in the case because he will have to live with Bricker who has constantly asked him to sit down and talk about it. The Secretary said he has not done so because he wanted to stay in the opposition corner but if we are going to compromise he wants to maintain good relations with Bricker. Brownell says if it is going to happen there should be a conference in the President's office with the Secretary and Bricker. Brownell does not want to be in this, personally, other than to sound people out.

Princeton University Library, Herman Phleger papers

Memorandum by the Secretary of State to the President

[WASHINGTON,] June 14, 1953.

Subject: Bricker Resolution

1. S.J. Res. 1, which had 63 sponsors, has now been entirely rewritten (see annexed "Confidential Committee Print"[1]). This confirms that the original S.J. Res. 1 was gravely defective and it suggests that the substitute resolution ought to be subjected to the same processes as disclosed the defects in the original.

Judge John J. Parker has written of the revised resolution: "In my opinion, it is just as objectionable as the original amendment and even more so." That is particularly true of Section 3 of the revised resolution.

2. The following is a brief analysis of the substantive provisions of the new resolution:

Section 1 states that a treaty provision which "conflicts" with the Constitution shall not be of any force or effect. This is undoubtedly the law today. However, the courts assume that constitutional amendments intend to change something, and they would doubtless try to find a meaning for Section 1. What the courts' interpretation would be is highly speculative.

Section 2 says that a treaty shall become internal law only through (a) an act of Congress and (b) an act "which would be valid in the absence of a treaty".

The first proviso burdens the treaty-making process by requiring a second vote, which would include the House, in addition to the original two-third's Senate vote. The second proviso means that treaties cannot deal with matters which, from a domestic standpoint, are left to State legislatures rather than the Federal legislature. This, in large measure, cuts the treaty power back to what it was under the Articles of Confederation. It makes impossible for the future, and, perhaps, invalid retroactively, traditional treaties such as treaties of friendship, commerce and navigation; extradition; reciprocal inheritance; narcotic control; and such pending treaties as the NATO Status of Forces Treaty, and the German Bond Validation Agreement. It casts grave doubt on effective international atomic control by treaty, such as the Baruch Plan.

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[1] Not found as an annex to the source text, but the text of the new version of S.J. Res. 1, as reported to the Senate by the Committee on the Judiciary on June 1[illegible] is printed in the editorial note, *infra*.

Section 3 transfers from the President to the Congress the power to regulate all Executive and other agreements with any foreign power or international organization.

This would effect a fundamental constitutional change. Under the Constitution as it now stands, the President has the exclusive power over the current conduct of international affairs. The proposed amendment would transfer the power in this respect to the Congress. If this amendment were adopted, peacetime agreements that are made every day by the President in the normal conduct of foreign affairs would be "subject to regulation" by the Congress, as well as wartime agreements for the conduct of war, and such a truce agreement as is being negotiated in Korea. Congress could, if it wished, forbid your making any agreement to meet with a foreign representative, as at Bermuda, or coming to any understandings there.

I can think of few constitutional changes which would render our nation more incapable of taking care of itself in the world of today, for the Congress is not a body capable of regulating the current conduct of foreign affairs.

John Foster Dulles

Editorial Note

On June 15, 1953, the Committee on the Judiciary, by an 8–5 vote, reported to the Senate an amended S.J. Res. 1. The title was changed to read, "A bill proposing an amendment to the Constitution of the United States relating to the legal effect of certain treaties and executive agreements." The language of the amended resolution resembled closely that of S.J. Res. 43, which Senator Watkins had introduced on February 16. The new version of S.J. Res. 1 reads as follows:

"Section 1. A provision of a treaty which conflicts with this Constitution shall not be of any force or effect.

"Sec. 2. A treaty shall become effective as internal law in the United States only through legislation which would be valid in the absence of treaty.

"Sec. 3. Congress shall have power to regulate all executive and other agreements with any foreign power or international organization. All such agreements shall be subject to the limitations imposed on treaties by this article.

"Sec. 4. The Congress shall have power to enforce this article by appropriate legislation.

"Sec. 5. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the legislatures of three-fourths of the several States within seven years from the date of its submission."

On June 16, in a telephone conversation with Secretary Dulles, Attorney General Brownell said that he had met with Senator Bricker and had offered a "compromise Section 1, eliminating Sections 2 and 3." According to Brownell, Senator Bricker, who was to meet with the President that day, had been noncommital. Brownell had also told Senator Bricker that if he was worried about losing the support of the American Bar Association, the Administration would "get behind the compromise to get it ratified." (Memorandum of telephone conversation, June 16, 1953, 11:07 a.m., Eisenhower Library, Dulles papers, "Telephone Conversations")

According to the President's appointment records, he met with Senator Bricker at 10 a.m. on June 16. It was noted that the Senator had asked for the appointment, "stating that he wished to talk to the President before the President's next Press Conference, about S.J. Res. No. 1, the legislation to restrict the President's Treaty making powers." (Eisenhower Library, Eisenhower records, "Daily Appointments") No further record of this meeting has been found at the Eisenhower Library.

In a telephone conversation the afternoon of June 17, Attorney General Brownell told Secretary Dulles that he had talked with Senator Bricker earlier in the day. He described Senator Bricker as "about beaten." They had agreed in general to a compromise proposal which boiled down to an endorsement of Section 1 and a provision for creating a study group. The Secretary of State replied that he thought such an arrangement was all right and said that he would go so far as to allow the wording, "executive agreements shall not operate as domestic law except through Congressional legislation," although he would prefer not to have it included. Dulles also explained how Holman and his supporters had tried unsuccessfully to persuade Senator Bricker to oppose the preamble to the Japanese Peace Treaty and that Dulles' speech at St. Louis (presumably a reference to the April 1952 speech at Louisville) "was in part paying off Bricker for his aid to the treaty." (Memorandum of telephone conversation, June 17, 1953, 4 p.m., Eisenhower Library, Dulles papers, "Telephone Conversations")

Eisnehower Library, Dulles papers, "Bricker Amendment"

Memorandum of Telephone Conversation Between the Secretary of State and the Attorney General (Brownell)

WASHINGTON, June 24, 1953.

The Secretary telephoned Attorney General Brownell to inquire about the Bricker Resolution and said he gathered things were not going so well. Brownell said that his negotiations had broken off, that Bricker was willing to concede Section 3 but not any part of Section 2 (the "which" clause). The Attorney General said he had received a call from Knowland's office that the Republican Conference would meet next Tuesday[1] and wanted Bricker and him to appear and argue it out before the group. The Secretary said Knowland had told him of this last night.

The Secretary said that he had tried to explain a little about the situation to Knowland but he did not seem to understand about the "which" clause. Mr. Dulles said he was afraid that Bricker was a prisoner of the little Bar Association group.

Mr. Brownell said he thought the way out was to get someone like Knowland or Taft to propose a constitutional amendment of his own which the President could throw his strength behind. The Secretary said that Bricker had had his chance to get under the umbrella but that he had thrown his chance away.

The Secretary said we could not get any great mass of public opinion in support of a constitutional amendment which took us back to the days of the Confederation.

The Secretary then asked Mr. Brownell if he had ever spoken to the Democratic leaders on Saturday, that we have to move on that. The Attorney General said he hadn't had an opportunity and asked the Secretary why he didn't go ahead and do it.

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[1] June 30.

Eisenhower Library, Dulles papers, "Bricker Amendment"

Memorandum by the Secretary of State to the President

CONFIDENTIAL
PERSONAL AND PRIVATE

WASHINGTON, June 27, 1953.

Subject: Bricker Amendment

Senator Lyndon Johnson was in to see me today. In the course of the conversation, he mentioned the Bricker Amendment. He said he expected that you would stand firm against it. He was confident it would be defeated unless you gave in. He added that Senator Taft had told him that he did not think it would be brought up at this session unless you did give in on the matter.

I think you should now consider sending to Wiley the letter which you drafted earlier.

JOHN FOSTER DULLES

[Attachment]

Draft Letter From the President to the Chairman of the Senate Foreign Relations Committee (Wiley)[1]

WASHINGTON, undated.

DEAR MR. CHAIRMAN: From the Secretary of State, I learn that you have made official inquiry as to the possibility that I may have changed my adverse opinion with respect to the proposed Constitutional Amendment contained in SJ Res. 1.

I have carefully studied a text described to me as the latest revision of that Amendment,[2] but I find nothing in it to alter my conviction that amending our Constitution in this fashion would hamper the orderly conduct of our foreign affairs. This could have serious effects in peace, and could approach disaster in time of war or threatened war.

Frankly, it seems to me the 176-year record of the handling of American foreign affairs by the President of the United States and the Secretary of State, with the advice and consent of the United States Senate, is one that will favorably stand comparison with any other similar record in the world. While lawyers can probably concoct sets of hypothetical circumstances under which the present arrangement could lead to real difficulty, yet it seems to me that such an eventuality becomes remote when we consider the safeguards of our system. The members of the United States Senate and the Chief Executive occupy those offices as a result of an elective process that presumably selects the individuals most trusted by the public at the particular time. Consequently, any proposed treaty or agreement that to become effective requires not only the deliberate efforts of the Chief Executive and the Secretary of State, but the approval of two-thirds of the United States Senate, is one that can scarcely become effective over the opposition of public opinion. But even beyond this, it is to be remembered that the domestic effect of any Executive agreement or treaty can be corrected by a Congress at any time by appropriate legislation.

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[1] On June 8 Senator Wiley had telephoned Secretary Dulles and inquired what was "going on" with respect to the Bricker Amendment, since he and others in the Senate had gone all out in their opposition to the proposal and "they didn't want to be left out in the cold if the President changed his mind." Senator Wiley further noted that, because of his stand on this matter, he was "the greatest s.o.b. living in Wisconsin". Senator Sparkman had suggested that Wiley ask the President to write a letter stating his opposition to the proposal, but Wiley was reluctant to do this. Instead he asked Secretary Dulles to see if the President could say something on the matter at his next press conference. Later that day, in two separate telephone conversations, Secretary Dulles and President Eisenhower discussed the wording of a draft letter to Senator Wiley which the President had agreed to prepare. Memoranda of all three conversations are in the Eisenhower Library, Dulles papers, "Telephone Conversations".

[2] This is presumably a reference to the revised version of S.J. Res. 1 as reported by the Senate Committee on the Judiciary on June 15, the text of which is printed in the editorial note, p. 1817.

On the other hand, to tamper with this process, introducing uncertainties and indecisiveness into the conduct of our foreign affairs, could not fail in the long term to damage the position of the United States in its relationships to other nations.

As you know, in an effort to calm the fears of those who profess to believe that at some future time the President and Senate might try to barter away the basic rights of the American people, I have been willing to support the first article of S.J. Res. 1. This would make it perfectly clear that no treaty could deprive American citizens of their rights under our constitutional Bill of Rights.

I cannot go further in acceptance of the other substantive provision of S.J. Res. 1 without creating a situation which would make it impossible for this nation to act in peace and in war to protect itself and its friends.

Without going further into details, which I have already discussed with you at length, I assure you again of my conviction that this Amendment, with the possible exception of the First Article, is unnecessary and that its inclusion in the law of our land would work to the disadvantage of our country.[3]

Sincerely yours,

DDE

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[3] No letter of this nature as actually sent by President Eisenhower to Senator Wiley has been found at the Eisenhower Library or in the Alexander Wiley papers at the Wisconsin State Historical Society.

Eisenhower Library, Dulles papers, "Telephone Conversations"

Memorandum of Telephone Conversation Between the Secretary of State and the Attorney General (Brownell)[1]

[WASHINGTON,] June 30, 1953—6:20 p. m.

The Secretary telephoned to find out what took place at the Republican Policy Conference on the Bricker Res.[2] Mr. Brownell said that Bricker was quite emotional.

Sen. Knowland asked him to draft a revised Section 1 which will incorporate suggestions from Knowland and Millikin, which quite a few of the original sponsors might sign. Section 1 would have a special provision that the Supreme Court has jurisdiction to pass on the treaty, Bricker said it did not have authority to pass on political matters. The Attorney General didn't think this would hurt us but it would be bad draftsmanship. Knowland wants a provision that a roll call vote be required on all treaties so that they can answer the argument that treaties are passed when there are only a few people on the floor. All of Section 2 will be cut out. The Attorney General said that the Secretary's session with Millikin[3] really showed up today, Knowland admitted that he had not really understood it before, but he is afraid that Bricker will make a speech if we do not get some substitute legislation in the next few days. Brownell said he told them that if they would take Section 1 it could go through with unanimous approval of the Republicans and he was authorized to say that officially. Beyond that they would have to look at the language.

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[1] Prepared by Burnita O'Day.

[2] A résumé of the discussion at the meeting on June 30 of the Senate Majority Policy Committee is in the Wisconsin State Historical Society, Alexander Wiley papers, "Bricker Amendment".

[3] The conversation between Secretary of State Dulles and Senator Millikin has not been further identified.

Editorial Note

At his press conference on July 1, President Eisenhower was asked to clarify his position on the Bricker Amendment in light of a statement Senator Knowland had made the previous day that the President might have changed his mind about the need for such an amendment. The President said that he had never changed his mind on this subject and that he had always stated his belief that no treaty could "circumvent or supersede" the Constitution. He explained further:

"Now, I don't believe it can now, but if there is any amendment necessary to make that simple statement, then such an amendment, if it would quiet fears anywhere in this whole country, would have my support.

"I will never agree to anything that interferes with the constitutional and traditional separation of powers between the departments, and the necessary coordination as specified by our Constitution. So you get into a matter of words and semantics."

He also pointed out the Attorney General was working with certain Senators to see whether there was "any possible language that satisfies their viewpoint or the particular viewpoint as represented by Senator Bricker and, at the same time, acceptable to the administration." The text of the President's press conference is in *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1953*, pages 469–470.

Eisenhower Library, Eisenhower papers, Whitman file

Minutes of the Cabinet Meeting, Held at the White House, 10 a.m., July 17, 1953[1]

CONFIDENTIAL

The following were present:

President Eisenhower

Vice President Nixon
Secretary Dulles
Secretary Humphrey
Secretary Wilson
Attorney General Brownell
Postmaster General Summerfield
Under Secretary Tudor (for Mr. McKay)
Assistant Secretary Earl Coke (for Mr. Benson)
Secretary Weeks
Secretary Durkin
Secretary Hobby

Mr. Dodge
Mr. Flemming
Gov. Stassen
Amb. Lodge
Mr. Young
Gov. Adams
Gen. Persons
Mr. Shanley
Dr. Hauge
Mr. Morgan
Mr. Hughes
Mr. Williams
Mr. C. D. Jackson

[Here follows discussion of the scheduling of the next Cabinet meeting, a report by Ambassador Lodge on his recent trip to Los Angeles and on public opinion there, the preparation of the State of the Union message, and reports by Secretary of State Dulles on the recently concluded Foreign Ministers meeting and on the Korean truce negotiations.]

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[1] Prepared by Minnich.

Bricker Amendment—Secretary Dulles urged that a decision be reached in regard to the Bricker Amendment for either eliminating action this session or making the President's position known unequivocally to all Senators. Governor Stassen joined with Secretary Dulles in asserting that the Bricker Amendment could be beaten, particularly since Sen. Bricker was defeated on the NATO Status of Forces question,[2] and they agreed that it was more desirable to defeat it completely rather than joining in a watered-down version.

The President reviewed his position in regard to opposing amendment of the Constitution by treaty and emphasized the need for consideration of public opinion which would not be silenced merely by complete defeat of the Bricker Amendment.

The Attorney General reviewed the progress of negotiations and was joined by the Vice President in suggesting that Senator Bricker would, as a result of the NATO Status of Forces vote, probably be willing to accept the Administration language. Mr. Brownell commented that to beat the Bricker Amendment entirely would result in a serious split in the Republican Party.

It was agreed that Mr. Brownell should continue his discussions with Senate leaders for a solution consistent with the language presented by the Attorney General to the Republican Policy Committee.

[Here follows discussion of the Simpson Tariff Bill, the national debt, grazing legislation, and the budget outlook for FY 1955.]

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[2] On July 15 the Senate, by a vote of 72–15, had approved ratification of the NATO Status of Forces treaty.

Eisenhower Library, Dulles papers, "Telephone Memoranda"

Memorandum of Telephone Conversation Between the Secretary of State and the Attorney General (Brownell)[1]

[WASHINGTON,] July 17, 1953—2:45 p. m.

The Attorney General called the Secretary re the Bricker Amendment, he had confirmed with Knowland that nothing would be done until the first of the week, since Bricker is out of town and there won't be another policy meeting until he returns.

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[1] Prepared by Burnita O'Day.

He asked what the Secretary had thought of Nixon's presentation this morning,[2] and the Secretary said he thought Nixon might be right. His original idea had been to let it die, but they had lots of money and were hiring speakers, etc., and it might build up instead. He thought if we let it come to a vote we could defeat it and it would be difficult to get it built up again. Knowland is under pressure from his own constituents and it might be difficult to get much of a battle in the last few weeks of the session but both were impressed with Nixon's analysis of the case.

The Attorney General said he would play it by ear.

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[2] Presumably a reference to the comments the Vice President made at the Cabinet meeting, the minutes of which are printed *supra*.

Editorial Note

On July 22, 1953, Senator Knowland introduced in the Senate a substitute for S.J. Res. 1. It reads as follows:

> "Section 1. A provision of a treaty or other international agreement which conflicts with the Constitution shall not be of any force or effect. The judicial power of the United States shall extend to all cases, in law or equity, in which it is claimed that the conflict described in this amendment is present.
>
> "Sec. 2. When the Senate consents to the ratification of a treaty the vote shall be determined by yeas and nays, and the names of the persons voting for and against shall be entered on the Journal of the Senate.
>
> "Sec. 3. When the Senate so provides in its consent to ratification, a treaty shall become effective as internal law in the United States only through the enactment of appropriate legislation by the Congress."

Later that same day, the White House released a statement by President Eisenhower in which he gave his "unqualified support" to the Knowland substitute resolution. Among other things, the President noted that the Knowland resolution confirmed that the President's power to carry on negotiations with foreign governments could not be used contrary to the Constitution. He stated further that he was "unalterably opposed to any amendment which would change our traditional treaty making power or which would hamper the President in his constitutional authority to conduct foreign relations." He also commended Senator Wiley and others for joining in the defense of these constitutional powers. The text of the President's statement is in *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1953,* pages 509–511.

Congress adjourned on August 3 without having taken any action on S.J. Res. 1 or on the Knowland substitute.

Eisenhower Library, Dulles papers, "Bricker Amendment"

Memorandum of Meeting With Congressional Leaders on the Bricker Amendment, December 19, 1953[1]

CONFIDENTIAL
PERSONAL AND PRIVATE

[WASHINGTON,] December 21, 1953.

It appeared that Attorney General Brownell had met with Senator Bricker the night before in an effort to arrive at a compromise. The Attorney General came away with the impression that a compromise could be reached on the basis of

(1) Retention of Article I which is common to both the Bricker and Knowland Amendments.

(2) Retention of the Knowland Amendment provision with reference to a record vote.

(3) Dropping the "which" clause and providing in substance that, except in their application to aliens, treaties should not become law of the land except through act of Congress, but should be "international law".

(4) Dropping wholly the clause about Executive agreements.

Senator Bricker produced a formula which had been written after his meeting with Brownell. This however, in substance retained the "which" clause by saying treaties should only become law of the land through "appropriate" legislation.

It was left that a committee, composed of the Attorney General and myself and Senators Bricker and Wiley, would meet between now and the opening of Congress in an effort to arrive at a compromise. The suggestion of the inclusion of Senator Wiley was made by Senator McCarthy.

Several Senators present indicated their very strong hope that a compromise would be reached, pointing out that otherwise there would be a very ugly and divisive debate which might have bad repercussions on the whole program.

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[1] Drafted by Secretary Dulles.

Secretary's Staff Meetings, lot 63 D 75, "January 1954"

Memorandum of Conversation, by Jeffrey C. Kitchen of the Executive Secretariat

[Extract]

SECRET NO DISTRIBUTION WASHINGTON, January 8, 1954.

Subject: Secretary's Staff Meeting, 9:15 a.m., the Secretary's office

Participants:	The Under Secretary	Mr. Morton
	Mr. Lourie	Mr. Waugh
	Mr. Murphy	Mr. Armstrong
	Mr. MacArthur	Mr. Drumright
	Mr. Cabot	Mr. Nolting
	Mr. Bowie	Mr. Suydam
	Mr. Byroade	Mr. Phillips
	Mr. Merchant	Mr. Hanes
	Mr. Phleger	Mr. Kitchen
	Mr. Key	

. . . .

2. Bricker Amendment.

Mr. Phleger reported that there had been a meeting at the White House concerning the Bricker Amendment.[1] No agreement had been reached, and there apparently was no decision as to a future course of action to resolve existing differences. Mr. Phleger said that he had been shocked by some of the positions presented by proponents of the Amendment. He thought it was bad law and, to the eyes of an amateur, bad politics. There had been many unjustified and unjustifiable statements regarding law and the effect of amending the Constitution. Mr. Phleger said that he was very concerned that with this working group, which had included, among others, the Attorney General, Senator Bricker, Senator Ferguson and Senator Wiley (the latter two favorable to our position), the President will be placed in the position of having to sponsor any compromise. If this compromise called for an amendment anything along the lines of the original Bricker proposal, he thought there would be a strong reaction from the AF of L, the CIO, and groups of prominent and important people led by such persons as Paul Hoffman. Thus, he thought a very bad political situation might be created. Mr. Phleger said that the Secretary had made a most admirable and clear presentation of our position in the matter.

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[1] According to President Eisenhower's daily appointment records, an "off the record" meeting was held at the White House at 6 p.m. on Jan. 7. Attending the meeting, in addition to the President, were Secretary of State Dulles, Attorney General Brownell, Senator Bricker, Senator Ferguson, Senator Wiley, Senator Knowland, Phleger, Rankin, Charles Webb (Assistant to Senator Bricker), Dr. Francis E. Wilcox of the staff of the Senate Foreign Relations Committee, Adams, Persons, and Martin. (Eisenhower Library, Eisenhower Records, "Daily Appointments") No minutes or memorandum of discussion at this meeting has been found in Department of State or Department of Justice files or at the Eisenhower Library.

. . . .

National Archives, SFRC Records, Bricker Amendment Working File

Senator Wiley to the President

[WASHINGTON,] January 8, 1954.

DEAR MR. PRESIDENT: After the meeting last night[1] I felt I should write you a brief note,—especially since I was not included among those who are to submit another draft of the Bricker proposal. I feel that the issue is very clear and that you understand it. Simply put, it amounts to this:

(1) Should there be any delimiting of the power of the Chief Executive to conclude treaties and agreements?
(2) Should there be any delimiting of the traditional power of the Senate in this field?
(3) Should there be any transfer of power to make treaties and executive agreements to the House of Representatives?
(4) Should there be any transfer of power in the treaty field from the federal government to the 48 states?

It seems to me Mr. President, that the proposal before us is grounded in suspicion and fear. In my judgment it would seriously disturb the balance of power in our federal system that was so carefully worked out by the framers of our Constitution in 1787. That balance has served us remarkably well, and I seriously question the wisdom of tampering with it now.

As I see it there are ample safeguards now, particularly since two-thirds of the Senate must concur before a treaty can be ratified. Moreover, it is settled constitutional law that an act of Congress supersedes a prior conflicting treaty provision, thus reserving to Congress a means of protection against the possibility of injudicious treaties.

If you will consult with any good lawyer, he will tell you that executive agreements are in four categories:

(a) Agreements that arise from your authority as Commander in Chief;
(b) Agreements that are specifically authorized by Congress;

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[1] Presumably a reference to a meeting at the White House on Jan. 7. See footnote 1, *supra*.

(c) Agreements that are made to implement the provisions of treaties; and

(d) Agreements that you may conclude under your executive authority to conduct our foreign policy.

Now it seems apparent to me that you cannot agree to any language that would limit your authority under the Constitution to conclude executive agreements. The publications of the State Department show that 1527 executive agreements have been concluded since 1928 (in comparison with 294 treaties). Doubtless many more such agreements have been concluded.

Moreover, as you know, there are many treaty provisions which override state laws on subjects where the federal government's authority was considered non-existent or questionable. These relate to such matters as the regulation of fisheries and wild life, narcotics control, extradition, taxation, the treatment of consular officers, and related problems.

Last night Senator Bricker said that the formula that he and Senator Ferguson had evolved in the course of fifteen minutes, had been substantially agreed to. I certainly challenge that remark. Mr. Dulles was not there, and your Attorney General said the whole matter had to be studied. I personally called it a morphodite [*morphrodite*].

Mr. President, in these critical times world peace depends upon the effectiveness of American leadership. And our leadership will depend, in large measure, upon your ability to act decisively when the situation requires it.

Very sincerely yours,

ALEXANDER WILEY

P.S. Attached is Herblock's cartoon from this morning's *Post*. He expresses in graphic form what I have laboriously tried to say in this letter.[2]

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[2] Not printed.

Eisenhower Library, Staff Secretary Office records, "Legislative Leaders Conference"

Supplementary Notes on the Legislative Leadership Conference, January 11, 1954, by the Assistant White House Staff Secretary (Minnich)[1]

CONFIDENTIAL WASHINGTON, January 11, 1954.

[Here follows discussion of patronage.]

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[1] The meeting took place at the White House at 8:30 a.m.

Bricker Amendment—See also separate memorandum (copy attached) entitled "The Bricker Amendment", dated January 11, 1954.

Sen. Knowland said that he was only interested in getting a frank discussion of the matter at this time. He thought national sentiment might be stronger than the President realized, and he didn't think his own substitute had much chance of success. Most of all, he believed "this festering sore" must be closed out of the Senate along the lines discussed the other night.

Attorney General Brownell reported on the meeting that was held following the discussion at the White House (Mansion).[2] An agreement was reached, but subsequently on Saturday[3] Sen. Bricker phoned from Ohio to say he found a philosophical difference between what he believed and what the Administration believed, that he would have to offer the "which clause," and that he could not enter into any compromise. Further, that if the "which clause" did not win approval, that would be alright with him but that he had to make the fight.

The President just couldn't see any basis for the existence of the great scare that the Constitution was being destroyed or would be destroyed; it almost caused one to think that the whole Executive Branch, the Senators and the Courts had lost all their brains. The President noted that Sen. Bricker's adviser leaned into his ear every five minutes.

Sen. Millikin hoped that every avenue could be explored towards a satisfactory conclusion. He was seriously concerned about the sharp division in the Senate and the way the issue could divide not only the Senate but the Party and the country. He thought the immediate problem was to discover how to undo the differences that had just reappeared.

Sen. Saltonstall endeavored to encourage the President to have another *small* conference with Sen. Bricker; small, because personalities were getting into it and slight "rubs" from some people were making agreement difficult.

Mr. Brownell recalled again how Sen. Bricker had agreed, then went back to Ohio, checked with Mr. Holman, then turned around from the agreement. Mr. Brownell said that Sen. Ferguson had tried to impress upon Sen. Bricker that he as a Senator had to make up his own mind, and that there was more to this than just satisfying the American Bar Association.

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[2] This is presumably a reference to the meeting at the White House on Jan. 7. See footnote 1, p. 1827.

[3] Jan. 9.

Sen. Saltonstall thought that if the right person put up the proper language to amend Sen. Bricker's proposal it would get a majority vote and be well along the way to the two-thirds vote needed to pass. But in all of this there must be great care not to frustrate Sen. Bricker.

The Vice President did not expect that any further discussion would succeed in reconciling the basic philosophical difference. He felt the Administration did need to decide exactly what substitute it could support and then stand firmly on that. Thus could the Administration get a majority in support. But a terrible situation would occur, he felt, if the question were one of the Bricker Amendment or nothing. Apparently all that Sen. Bricker personally wanted was to make the fight he had promised his backers, and to get his name on an amendment. Not much could be expected from further negotiations.

Sen. Knowland wanted to have one more whirl at negotiation, or at least discussion. Sen. Millikin agreed with Sen. Knowland because it would help avoid any appearance that Sen. Bricker did not get a fair hearing from the Administration. Sen. Knowland commented that we had made much headway in that respect, and Sen. Millikin concluded that the important thing was to get the question settled and out of the way if at all possible.

The President stated that there was a matter of principle involved, beyond which he could not go. As for Frank Holman, he seemed to be determined that "he's going to save the United States from Eleanor Roosevelt."

With Senators Knowland, Millikin and Saltonstall urging the President to talk with Sen. Bricker just once more, the President finally agreed to do so.[4]

L. A. MINNICH, JR.

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[4] No record has been found of a subsequent meeting between President Eisenhower and Senator Bricker.

[Attachment]

Memorandum by the Assistant White House Staff Secretary (Minnich)

CONFIDENTIAL WASHINGTON, January 11, 1954.

THE BRICKER AMENDMENT

In a lengthy discussion at the Legislative Conference on January 11, 1954, the President spelled out clearly his own feeling about the Bricker Amendment.

He began by emphasizing that very few people have any knowledge of the Bricker Amendment and that probably less than one per cent are familiar with the basic issues involved, particularly the "which clause". He then asserted the need for recognizing that great political advantage would accrue from the Administration making a firm stand for the things in which it believes, and conversely that to depart from convictions would leave the Administration worse off politically. He pointed out that the President was duty bound to defend the Constitution and he reported the convictions of people like Mr. Griswold of Harvard Law School that acceptance of the Bricker Amendment would be a sell-out of the Constitution. He asserted that he would therefore fight to the bitter end against the "which clause", if need be by going into every State in the Union.

The President was careful to point out that he was not personally involved by the threat and limitation of Presidential power, for he would no longer be in office by the time the amendment could take effect.

The President summarized his feeling about the matter by saying that Sen. Bricker was trying to make the Administration represent 49 governments in its dealings with foreign powers, whereas he was convinced that in foreign affairs there could be only one United States.

The President repeated several times during the discussion that he was willing to work for mutually satisfactory language but there was a matter of principle involved beyond which he could not go.

MINNICH

Eisenhower Library, Dulles papers, "Bricker Amendment"

The President to John J. McCloy [1]

PERSONAL WASHINGTON, January 13, 1954.

DEAR JACK: Thank you very much for your telegram regarding the so-called Bricker Amendment.[2] I hasten to assure you that I largely—possibly completely—share your views.

The long study that my associates and I have given to this subject leads to the general conclusion that it is *possibly* wise to agree to—even propose—an amendment which would state:

(a) That any provisions of a treaty or international agreement adjudged by the courts to be in conflict with our nation's Constitution would be invalid. (This of course is, in fact, already the case. This part of the amendment would be nothing but a reassurance to those people who fear that our nation's Constitution could now be wrecked and destroyed by the treaty-making power.)

(b) That provisions of a treaty would not have internal effect except by act of Congress. (In the practical sense this is now the case, because there are few treaties that carry with them self-enforcing provisions *within* any country. I am informed also that in all other countries an act of Parliament or Congress is necessary to put into effect those provisions of a treaty that affect the internal affairs of a country. Again, then, we would be agreeing to an amendment which is a reaffirmative of a practical fact.)

(c) That the votes in the Senate on any subject should be recorded "yeas" and "nays." (What would be the practical effect of this I do not know, but it has been urged by others and I see no objection to it.)

I hope you will be among those who will raise their voices *publicly* to support the position you state so succinctly.

Throughout the country those people who have heard of this matter (a minority) have absorbed the idea that Mr. Roosevelt exceeded his powers during World War II and in so doing, put this country's Constitution in jeopardy. They have the conviction, also, that the Charter of the United Nations gives to international bodies rights to intervene in the internal affairs of the United States. Consequently the words "Bricker Amendment" appeal to many of them as a sheer necessity, in order to protect their constitutional rights and freedoms.

So while I fully share your belief that no amendment is truly necessary, I do believe that there have grown up certain fears which *might* be best eliminated by an amendment which would be nothing more than a reaffirmation of the supremacy of our Constitution and the right of the Congress, under the Constitution, to annul by subsequent act of its own any provision of any treaty.

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[1] The letter was addressed to McCloy at the Chase National Bank, 18 Pine Street, New York, New York.

[2] The reference is to McCloy's telegram of Jan. 8 to President Eisenhower, in which he voiced his strong opposition to the Bricker Amendment and the various compromise proposals. (Eisenhower Library, Dulles papers, "Bricker Amendment")

Do you see anything wrong with the position I have stated? [3]

With warm personal regard,

As ever,

D.E.

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[3] A copy of McCloy's eight-page reply to the President of Jan. 18, in which he strongly reiterated his opposition "to any amendment whatever, for practical and political reasons," is in the Eisenhower Library, Dulles papers, "Bricker Amendment". This copy, along with President Eisenhower's letter of Jan. 13 and McCloy's telegram of Jan. 8, were sent to Secretary Dulles as attachments to McCloy's brief covering letter of Jan. 19. Subsequently attached was a copy of Dulles' reply to McCloy of Jan. 20, in which he noted briefly that McCloy had "usefully presented persuasive arguments."

711.11 EI/1-2054

Memorandum of Breakfast Conference With the President, by the Secretary of State

TOP SECRET WASHINGTON, January 20, 1954.

[Here follows discussion of the recent exchange of memoranda with the Soviet Union regarding atomic energy, the plans for the upcoming Berlin Conference, and the Austrian Treaty negotiations.]

7. We discussed the Bricker Amendment. The President asked me to look over the draft of his proposed radio talk, and said that the problem from his standpoint was to support the proposed Knowland–Ferguson draft without seeming to compromise in a way which would affect his leadership of the more liberal forces in the country. He indicated that he himself was really convinced that something like the Knowland–Ferguson draft was necessary in order to settle for all time the issue of non-supremacy of treaties over the Constitution, but that it was not easy to find a way to do this without seeming to have surrendered to reactionary elements.

JOHN FOSTER DULLES

711.03/1-2054

Memorandum by the Secretary of State to the President

CONFIDENTIAL [WASHINGTON,] January 20, 1954.

Subject: Conversation with Senator George re Bricker Amendment

I had a long and satisfactory talk this afternoon with Senator George. He is strongly opposed to the "which" clause and authorizes me to reassure you in this respect.

He is a little worried at the change in Article 6, which is proposed by the Knowland substitute, because he fears that, if the Constitution says that laws and treaties made pursuant to the Constitution shall be the supreme law of the land, it might be interpreted as meaning that treaties could not go beyond the scope of Federal laws.

I told him that the Attorney General did not share this concern, but he says he does not feel confident of what the Supreme Court might do with this feature of the proposed amendment.

He goes along with Section 2 that no treaty or international agreement shall conflict with the Constitution, but does not think it necessary.

Section 3 dealing with "yeas" and "nays" he says is all right, but should and could be done by Senate rule.

He has some question in his own mind as to the provision dealing with Executive agreements. He feels that some limiting provision might be desirable, but on the whole is inclined to believe that nothing is practical which goes beyond the provision that an international agreement which conflicts with the Constitution shall not be in force and effect.

It is obvious that he has considerable doubt as to whether on its merits there ought to be any Constitutional amendment.

JOHN FOSTER DULLES

Eisenhower Library, Dulles papers, "Bricker Amendment"

The Secretary of State to the President [1]

[WASHINGTON,] January 20, 1954.

DEAR MR. PRESIDENT: You asked my views as to the effect on our present international efforts of Senate adoption of S.J. Res. 1 (the so-called "Bricker Amendment"), dealing with the treaty-making and Executive power.

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[1] The source text was attached to a brief covering letter of Jan. 21 from Secretary Dulles to President Eisenhower, in which Dulles said the letter on the Bricker Amendment was for the President "to use or not, as you see fit". He noted further, "Please feel free to make any minor changes you think desirable. If you want to make any major changes, they could be quickly cleared with me by cable or phone to Berlin through Mr. Phleger." On Jan. 21 Secretary Dulles left Washington to attend the Berlin Conference. For documentation concerning this conference, held Jan. 25–Feb. 18, see volume VII.

In my opinion, if the Senate now adopted S.J. Res. 1, or any of the alternatives suggested by the principal proponents of that Resolution, it would at once have a seriously damaging effect upon what we are trying to do.

Under your guidance, I am at the present time engaged in conversations with the Soviet Union looking to the diversion of atomic energy from purposes of destruction to purposes of peaceful construction. This is in pursuance of your momentous address of December 8, 1953 to the United Nations.[2]

We are about to have important meetings at Berlin with representatives of the Soviet Union, the United Kingdom and France. Also a decision is near on the creation of a European Defense Community as a hard and dependable core to the North Atlantic Treaty Organization.[3] The fate of Europe hangs in the balance and our fate is closely related.

In the West Pacific and Asia, the vital security interests of the United States are involved in steadily evolving relations with the free nations of that area.

It would be difficult to deal with these matters in a way which will serve the United States and the cause of peace if the Senate, by a two-third's vote, proclaims to the world that the United States plans permanently to disenable itself from making treaties and conducting foreign relations in the historic manner to which the United States and the world are accustomed and which, for 165 years, has served us well.

I realize that action by the Senate is but the first of many steps in the process of constitutional amendment. I would myself be confident that on reflection the further steps would not be taken because sober thought would convince the nation of the danger of a program which would, in large measure, reproduce the international impotence which marked the Confederation during the period preceding the adoption of our Constitution. Nevertheless if the Senate with its great influence and prestige should by a two-third's vote adopt the proposed amendment, this would be taken by our friends and by our enemies as foreshadowing a revolutionary change in the position of the United States.

Today the United States is a solid rock of dependability and stability which indispensably gives cohesion and courage to the society of free nations. If the Senate were to give notice that this stability and dependability could no longer be counted upon by our friends and need not be feared by our enemies, then in my opinion there would inevitably be a reaction of major proportions which would impair our hopes and plans for peace and greatly increase our danger.

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[2] For the text of this address, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1953,* pp. 813–822.

[3] For documentation regarding the plans to establish a European Defense Community, see vol. v, Part 1, pp. 571 ff.

At no time in our history have the stakes of successful diplomacy been as high as they are today. Never before has war carried so devastating a threat and never before has the United States been the principal target of so great and malignant a power as exists in the world today. Today we need allies and collective security. We need the capacity to act decisively and to forge ties that will give us friends. A war against the United States standing alone would be an awful catastrophe. To avoid that is your high responsibility and it is a responsibility which your every word and act has shown that you can discharge with impressive success. However, in my opinion, the chances of success will largely diminish if S.J. Res. 1, or anything comparable to it, is now adopted.

Sincerely yours,

JOHN FOSTER DULLES

Eisenhower Library, James C. Hagerty papers

Hagerty Diary, January 27, 1954

[Extract]

. . . .

Sen. George released text of proposed substitute[1] for Bricker—Persons in with Pres. when I brought in ticker—Pres. likes George proposals, but State Dept.—particularly "Beedle"[2] opposed to section on executive agreements—our boys on Hill really getting things fouled up—Ferguson so anxious not to have a fight he'll buy almost everything—Adams killed proposal to have Knowland bring Bricker down for conference!—if we fight, let's get on with it and stop kidding.

. . . .

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[1] The substitute amendment which Senator George proposed on Jan. 27 reads as follows: "Section 1. A provision of a treaty or other international agreement which conflicts with this Constitution shall not be of any force or effect. Section 2. An international agreement other than a treaty shall become effective as internal law in the United States only by an act of the Congress."

[2] Under Secretary of State Walter Bedell Smith.

Eisenhower Library, James C. Hagerty papers

Hagerty Diary, January 28, 1954

[Extract]

. . . .

Conference in Pres. office with Knowland, Ferguson, Millikin, Bill Rogers, Adams, Persons on Bricker Amendment compromise—our GOP boys on Hill still trying to compromise with Bricker isolationists—George and Dems now got jump on them with simple [?] George Amendment—Ferguson, Millikin scared to death of fight, keep backing off as usual—Knowland inept in handling it—fine mess, all of our own, because our people haven't got the guts to lick B.A. once and for all and then pass substitute Knowland amendment—best they can do now, is bi-partisan approach on compromise, giving Dems credit for saving Constitution—now have to confer with George, in addition to Bricker—How dumb can we get?—Pres. getting really fed up with these tactics.

. . . .

Conference files, lot 60 D 627, CF 212: Telegram

The Secretary of State to the Department of State [1]

PRIORITY BERLIN, January 28, 1954.

Dulte 12. For Phleger from the Secretary. I like George's substitute [2] very well. Have always been fearful that amending Article Six might subject treaties to same constitutional test as Federal laws. George's Section Two would help solve dilemma we often face when we are doubtful whether international agreement is technically "treaty", thus requiring two-thirds Senate action or subject to adoption majority both Houses.

DULLES

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[1] Drafted by Dulles.

[2] In an unnumbered telegram to Bonn, dated Jan. 28, 1954, which the Department of State requested be passed urgently to the Secretary of State, the Department furnished the text of the George substitute amendment and described Senator George's explanation to newsmen why he had introduced the proposal. According to the telegram, he said that he had discussed the substance of his substitute amendment with the President, but he had not described the President's reaction to the proposal. The Senator had also expressed his dissatisfaction with the most recent draft statement by Senate Republican leaders who had been trying to reach a compromise with Senator Bricker. A copy of this telegram is in the Conference files, lot 60 D 627, CF 212. A handwritten marginal notation indicated that a copy of the message had been given to the Secretary of State at 8:30 a.m., Jan. 28.

711.00/1-2854 : Telegram

The Acting Secretary of State to the Secretary of State, at Berlin[1]

CONFIDENTIAL WASHINGTON, January 28, 1954—7:02 p. m.
NIACT

Tedul 7. Substance your telegram[2] re Senator George's amendment transmitted White House with statement that State Dept views would be communicated after you had opportunity to consider matter after further communications from Dept. Justice recommends against amendment. John Davis[3] and others have communicated opposition to it. Views of Justice would no doubt be affected by views of State Dept as to desirability. Our legal analysis summarized as follows: First effect is to make an executive agreement plus an Act of Congress the equivalent of a treaty, thus making a majority of both Houses the equivalent of two-thirds of Senate in foreign affairs field. Second effect is to cut down Presidential power to conduct foreign affairs and as Commander in Chief. The Presidential power would thus be reduced and transferred to Congress to the extent that executive agreements were designed to apply and be effective in this country. Not effective as internal law means equivalent of not being given effect in US, and thus agreements would not be recognized in our courts as having any legal effect in the absence of an Act of Congress. It would reverse Pink case. It would preclude agreements made by President as Commander in Chief, such as for passage Canadian troops or use of foreign troops in US in time of war. In event of war in this hemisphere or in US it seems obvious that proposal would greatly hamper President's authority to make in US kinds of agreements made in Europe during last war.

It would affect exercise of Pres. Const. power to receive ambassadors, and such consequences as diplomatic immunity. Korean Armistice Agreement, Destroyer for Bases agreement have effects on legal rights that might require or justify recognition of US courts. German property received as result of Potsdam and later executive agreements as booty or reparation entitled protection US courts without Congressional action. Determination by US courts of applicable international law requires consideration of Acts of Executive. Not clear whether proposed Constitutional provision would be retroactive. Uncertainty of interpretation and application and certainty that it reduces President's authority would seem to require strong reasons for departure from present constitutional practices. Your views for transmission to President urgently desired.

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[1] Drafted by Phleger, rewritten by Under Secretary Smith, and cleared with Scott.

[2] Dulte 12 from Berlin, *supra*.

[3] John W. Davis, the Democratic Party's nominee for President in 1924.

Since above dictated by Phleger, I have ascertained following:

(1) Attorney General will oppose on legal grounds but will take position that this is matter in which Secretary of State has primary interest, and that he would therefore defer legal opinion to that of Secretary of State.

(2) It is reported that this afternoon, at instance of Knowland and Ferguson, they plus Millikin, Johnson and George, have agreed on a combination of the Knowland and George amendments which will be introduced this afternoon. This may put President and yourself in position of opposing Senate majority not only of your own party but of minority party as well in event your considered judgment later indicates you cannot agree with terms of amendment as now proposed.

(3) The Attorney General's views and those of other lawyers in opposition to this combination of Knowland and George amendments have not yet been communicated to President. I have just advised him to reserve his position and to inform Knowland accordingly. He has done this. The President asks that when you consider the above that you have in mind grave political damages resulting from hysterical build-up of pressure. Senate leaders on both sides fear that if the amendment is returned to committee it may come out worse than original or that State legislators reacting to flood of propaganda may themselves take initiative to move toward original Bricker amendment. Real question is can we live with this amendment without serious impairment of our ability to conduct foreign relations? We do not think you should actually approve any reduction of Executive authority. Possible that practical considerations may be more important in making your final decision than technical consequences.

(4) Present wording of amendment is as follows:

> "Section 1, Clause 2, of Article VI of the Constitution of the United States, is hereby amended to read as follows:
>
> 'Notwithstanding the foregoing provisions of this Clause, no treaty made after the ratification of this amendment shall be the supreme law of the land unless made under the authority of the United States and in pursuance of this Constitution.
>
> 'Section 2. A provision of a treaty or other international agreement which conflicts with this Constitution shall not be of any force or effect.
>
> 'Section 3. An international agreement other than a treaty shall become effective as internal law in the United States only by an Act of the Congress.
>
> 'Section 4. When the Senate consents to the ratification of a treaty the vote shall be determined by yeas and nays and the names of the persons voting for and against shall be entered on the Journal of the Senate.

'Section 5. This Article shall be inoperative unless it shall have been ratified by three-fourths of the States within seven years of the date of its submission.' "

SMITH

711.00/1-2954 : Telegram

The Secretary of State to the Department of State

CONFIDENTIAL NIACT BERLIN, January 29, 1954—noon.

Dulte 16. Re Tedul 7.[1] Note: For Phleger from Secretary. If you think the following message to President re Bricker amendment contains least error, please wire me urgent before delivery.

Message for President, Information Smith and Phleger from Secretary

"Mr. President: I have examined the so-called 'Knowland-George' proposal to amend the Constitution of the United States. Sections 1 and 2 seem to me to make explicit what is already implicit in the Constitution.

"Section 3 deals with international agreements and might diminish somewhat the authority of the President as now interpreted by the United States Supreme Court. However, as I interpret the proposed amendment, it would not impair the powers expressly granted to the President under Article II, Section 2, including his authority as Commander-in-Chief or his power under Article II, Section 3, to receive ambassadors and other public ministers. A question might arise as to whether Section 3 of the proposed amendment would curtail the above-mentioned authority of the President in the event he exercised his authority not unilaterally but pursuant to an agreement. It seems to me that the proposed amendment would not deny legal effect to the Presidential power merely because it was exercised pursuant to an agreement provided the power existed irrespective of the agreement. The proposed amendment, it seems to me is designed to prevent international agreements from serving as a means of enlarging the President's authority beyond what it would be otherwise under express grants of power to the President. To this extent, but only to this extent, would international agreements require an act of Congress to give them effect as internal law.

"I do not myself feel that the proposed Constitutional amendment is necessary. I believe that possible abuses of power under the Constitution as it is are less of a hazard to our nation than the curtailment of Presidential power or at least the creation of an area of legal doubt, which might not be resolved for many years. This area of doubt would, however, be diminished if the legislative record were clear in the sense I have indicated.

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[1] *Supra.*

"While, therefore, I would regret seeing a change in our traditional Constitutional method of conducting foreign relations, I do not believe that the amendment in question, if interpreted as I believe it would be, would seriously impair the capacity of the United States to preserve its vital international interests. Foster Dulles." [2]

DULLES

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[2] In Tedul 8 to Berlin, Jan. 29, 1954, Acting Secretary of State Smith said that he had presented the Secretary of State's message to the President that morning in the presence of Phleger and Attorney General Brownell. He said further that the Attorney General had generally supported the Secretary's views regarding the uncertainties involved. The President had directed Phleger's and Brownell's staffs to try to draft a brief phrase to be included in the George amendment which would clarify the authority of the President as Commander in Chief. Acting Secretary Smith also said that the President had telephoned Senator Knowland accordingly. (711.00/1-2954)

Eisenhower Library, Eisenhower papers, Whitman File

Minutes of the Cabinet Meeting, Held at the White House, 10 a.m., January 29, 1954 [1]

CONFIDENTIAL

The following were present:

President Eisenhower

- Vice President Nixon
- Under Sec. of State W. B. Smith (for Sec. Dulles)
- Sec. of Treasury Humphrey, and
  - Under Sec. Folsom
- Sec. of Defense Wilson
- Attorney General Brownell
- Postmaster General Summerfield
  - Deputy PMG Charles R. Hook, Jr.
  - Asst. PMG for Personnel Eugene Lyons
- Sec. of Interior McKay
- Sec. of Agriculture Benson
- Sec. of Commerce Weeks
- Under Sec. of HEW Nelson Rockefeller (for Sec. Hobby)
- Deputy Director of Budget Rowland R. Hughes (for Mr. Dodge)
- Mr. Flemming
- Gov. Stassen
- Chairman Young
- Amb. Lodge

- Gov. Adams
- Gen. Persons
- Mr. Shanley
- Mr. Rabb
- Messrs. Morgan, Martin and Hauge (at intervals)

(Sec. of Labor Mitchell absent and not represented.)

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[1] Prepared by Minnich.

Bricker Amendment—The President commented briefly on the continuing discussions concerning the Bricker Amendment and emphasized the need for taking positive action which would simultaneously protect the President's rights, authority, and responsibility in the conduct of foreign affairs and also relieve the legitimate fears of those agitating for the amendment. He stated his belief that the Bricker Amendment could be defeated but that the important thing was to act in such a way that so spurious an issue would not become an issue again in the next election. He emphasized the great effort of the Administration to be decent and reasonable without surrendering one iota on essentials.

Secretary Wilson voiced his agreement with the basic beliefs of most people concerned with the amendment to the effect that treaties should not be allowed to take away fundamental rights and that agreements such as those at Yalta and Potsdam should be prevented in the future by law if possible to do so.

The President commented that the Bricker Amendment per se would not guarantee either of those.

[Here follows a lengthy discussion of pay increases for federal government employees.]

Eisenhower Library, James C. Hagerty papers

Hagerty Diary, February 1, 1954

[Extracts]

. . . .

Legislative Leaders Meeting[1]—all leaders, plus Postmaster, AG, and Treasury as well as Civil Service. 4 subjects debate: (1) atomic energy for peacetime uses (2) postal salaries (3) Commodity Credit Corp., and (4) ever-present Bricker Amendment . . . on (4) *Bricker Amendment*—Knowland reported no progress since last meeting—conferences with Bricker and Dems, L. Johnson, Russell and George—said finally came to tentative agreement—#3 of agreement holds [?] "no international agreement other than treaty shall become law except by legislation"—Brownell opposed #3 as did Pres., said it would curtail Pres. power to recognize country and obligations that go with recognition—Sen. Ferguson gave argument of "personal rights of Amer. citizens"—Knowland expressed opinion that we could publicly lick "which" clause, but would "lose out" on trying to support right for Pres. to handle alone executive agreements—Pres. said "basic authority of Pres. cannot be changed"—Brownell, and Pres. agreed, proposed Knowland go back and pass Sections #1, 2 & 4 with Bricker and Dems—leaving #3 for further study.

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[1] Another account of the discussion at this meeting is in the Eisenhower Library, Staff Secretary Office records, "Legislative Leaders Conference."

I personally feel this mistake—we've won Bricker Amendment fight on "49-or-1 gov" issue—now isolationists and weak-kneed GOP leaders, trying to avoid fight, raising another one on executive agreements—much harder to win this one—"Yalta" etc.—no guts, our guys. . . .

In with Pres. *445–515*—Discussing B.A.—while there Knowland called. Pres. asked him to bring Ferguson and Millikin down with him. Brownell joined meeting—all arrived at *515*—Prior [?], Sen. George and Bricker turned down Brownell suggestion that amendment be passed without executive agreement section in substitute. George said "will not support amendment unless it has that section in it"—Bricker said so also adding "I have always felt the W.H. would never agree to anything of substance.["]

In discussion with Pres. we agreed that leaders could have defeated B.A. if they had not stalled so long over compromise—"weak, awful weak," Pres. said. Also said "I'm through with Bricker in any case."

He told me that he had agreed with leaders that it was necessary to get legislative interest [?] clearly stated if #3 goes through. Said they wanted to ask him to write a letter saying he was going along with understanding that #3 didn't take away any of his powers as Comm-in-chief; as conductor of foreign affairs—I suggested that Knowland and George should write him such a letter and that he then say okay.—Pres. thought that idea had merit and said he would talk over with Brownell and then propose it if Brownell agreed.

He seemed fully aware that many members of Congress would like to limit Pres. powers, but added "as far as I know this is the first time anyone has tried to do it by amending the Constitution"—pointed out that Spanish bases would have been impossible to obtain under Congress sanction—had to be done by executive action.—"only way to get it done was that way 'for good of country[']".

Brownell stayed with Pres. for hour after—[here follow two illegible words]! Leaders going to submit amendment without executive agreement clause—Pres. to write letter—decision taken—going to fight—Hurrah!!

711.00/2-154 : Telegram

The Acting Secretary of State to the Secretary of State, at Berlin [1]

CONFIDENTIAL WASHINGTON, February 1, 1954—7:14 p. m.

Tedul 15. Following cable to you of twenty-ninth [2] State and Justice drafted proviso for Section 3 of draft sent you January twenty-eighth [3] to clarify that this did not affect President's constitutional authority. This proviso read "but this shall not affect the authority of the President under the Constitution as Commander in Chief or in the field of international relations of the United States." Since then, Senators seem reluctant to accept this proviso, and it is becoming evident that they really wish to effect a change in the President's authority by this section. Understand Bricker willing to accept substitute provided no proviso is added to Section 3. At moment understand George against proviso, but no final decision made and entire matter still under discussion. President has made known he opposes Section 3 unless it contains some clarifying proviso protecting existing Presidential authority. Will keep you advised.

SMITH

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[1] Drafted by Phleger who signed the telegram for Acting Secretary Smith.

[2] Tedul 8 to Berlin, which is described in footnote 2, p. 1842.

[3] This draft was contained in Tedul 7 to Berlin, Jan. 28, p. 1839.

Eisenhower Library, James C. Hagerty papers

Hagerty Diary, February 2, 1954

[Extract]

. . . .

Bricker problem still up in air. Brownell and Knowland came in at 9 A.M.—final result was that Knowland, Ferguson, & Millikin to submit substitute with #3 out—doubt if this is going to work—afraid whole thing will be recommitted which would leave it hanging over our heads thruout session. Later Brownell called me and said still working [?] on letter, but present plan was not to send it up for a while—really getting [?] screwed up.

Pres. called me in at *230* and he and I went over proposed letter—outlines his objections to #3 and flatly says won't compromise with any plan to change constitution—Pres. "Leaders admitted yesterday that they were trying to cut down on my power thru executive agreement plan"—Pres. quite exercised, strode around office, while talking—has pretty low opinion of GOP leadership right now—I urged him to put out letter from W.H.—or at press conference tomorrow—to get back on initiative again—said "if its true that when you die the things that bothered you most are engraved on your skull, I am sure I'll have there the mud and dirt of France during invasion and the name of Senator Bricker"—Pres. determined not to give in on this principle—said "If our leaders had any guts this would all have been over last week."

711.03/2-654

The Legal Adviser (Phleger) to the Secretary of State, at Berlin

[WASHINGTON,] February 2, 1954.

DEAR FOSTER: Supplementing my cable of last night,[1] I enclose some clippings[2] which tell the story fairly accurately.

I think the situation can be summed up as follows:

1. The Bricker Amendment, as such, with the which clause is beaten—he is willing to accept a substitute provided the President approves it and it contains a substantial concession, which I interpret as something that he thinks he could build up by interpretation to mean a lot—possibly even a hidden which clause.

2. George put in his proposal intending to be helpful, I am sure, but without realizing how it could be interpreted to cut Presidential power. However, when asked to agree to a clarifying proviso, as was suggested, he refused.

3. Knowland and Ferguson are anxious to have an amendment, first because they believe in the general Bricker philosophy, second because they don't want a party split and would like the matter settled once for all. They willingly accept the George proposal and its broadest possible interpretation.

4. The President and the Attorney General realize that the George proposal can be interpreted to cut down Presidential authority and when George and others refused to accept a clarifying proviso, they were fearful that if adopted it could be very harmful because of Bricker and other broad interpretations. The President, while desiring an amendment that would settle the controversy, is opposed to George proposal interpreted as George and others evidently intend.

5. Currently Knowland and Ferguson and Millikin want the President to write a letter approving substitute without the George proposal. George says he will press for his proposal. The result might be that both would be combined and adopted although this is questionable with Presidential opposition. Another result might be that the matter would be recommitted.

6. At the moment the President has not written any letter, and everyone is considering what to do. Your cable was shown to the

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[1] Tedul 15, p. 1845.

[2] These clippings were not further identified.

President and Brownell, but it has not otherwise been communicated.

7. Knowland has written the Department requesting a list of all executive agreements made in the last ten years, with statement of authority therefor, and whether and to what extent they affect internal law, this to be submitted to Foreign Relations Committee. This compilation would take some months to prepare and it may be that Knowland move is to provide basis for adopting substitute without George section and recommending that George section be given further study by the Committee in light of information on executive agreements to be supplied by Department.

I will keep you advised.
Sincerely,

HERMAN PHLEGER

711.00/2-354 : Telegram

The Acting Secretary of State to the Secretary of State, at Berlin [1]

CONFIDENTIAL WASHINGTON, February 3, 1954—6:25 p. m.

Tedul 19. President at press conference today [2] said he was unalterably opposed to any amendment which would alter the traditional constitutional balance of power. He was willing to reassure the people that treaties could not contravene or supersede the Constitution but he would not compromise on a single word that would disturb the balance of power. The Constitution has served us well for 165 years. There should be no hurry in such an important thing. When asked about the George proposal he said he did not want to talk about details because the thing is complicated and needs long study. Every time something new is suggested, he asks his advisers both inside and outside Government but until meanings are clear and convictions are formed he would not want to talk about it. Senate today debating various amendments including Knowland and George proposals, but no indication yet what will happen. Knowland says he will keep Senate in session tonight and hopes to conclude matter tomorrow. George is pressing his amendment, but evidently has resisted Bricker suggestion that it be made more restrictive. Uncertain whether Knowland amendment will pass or George amendment combined with Knowland will pass or whether nothing will pass.

SMITH

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[1] Drafted by Phleger, who initialed the telegram for the Acting Secretary.

[2] For the record of the President's remarks concerning the Bricker Amendment at his news conference on Feb. 3, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1954*, pp. 225-226.

711.00/2-454 : Telegram

The Acting Secretary of State to the Secretary of State, at Berlin[1]

CONFIDENTIAL WASHINGTON, February 4, 1954—6:29 p. m.

Tedul 23. Bricker today introduced new resolution which he said would achieve substantially his original objectives but would make important concession by dropping which clause. New resolution accepts three sections from Knowland Amendment. First section amends Article 6 to state no treaty made hereafter would be supreme law unless made in pursuance Constitution. Section two provides that no provision of treaty or executive agreement which conflicts with Constitution shall have any force or effect. Section three requires Senate roll call on ratification. Bricker adds fourth section "A treaty or other international agreement shall become effective as internal law in the U.S. only through legislation by the Congress unless in advising and consent to a treaty the Senate by a vote of two-thirds of the Senators present and voting shall provide that such treaties may become effective as internal law without legislation by the Congress." This Bricker proposal was rejected yesterday by Senator George who said he thought present arrangements regarding treaties should not be changed.

Bricker said his new section plus the three Knowland sections will achieve substantially all objectives his original amendment and although which clause has been eliminated it will afford substantial protection to individual rights, state rights, and preservation sovereignty U.S.

Senator George said today he would have no objection to altering his proposal to meet Administration objections by exempting President's war powers and his authority recognize foreign governments. Effect would be to weaken all other Presidential powers because he said it is a well known principle law that when some powers are enumerated others are excluded.

Knowland announced that as Republican Senators will be away next week on Lincoln Day addresses he does not expect vote before ten days or so, thus giving country chance study proposed amendments.

SMITH

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[1] Drafted by Phleger, who initialed the telegram for the Acting Secretary.

711.03/2-954 : Telegram

The Acting Secretary of State to the Secretary of State, at Berlin [1]

CONFIDENTIAL WASHINGTON, February 9, 1954—7:04 p. m.

Tedul 35. Knowland has advised Brownell Senator George willing amend section 2 his proposed resolution to read:

"Section 2. An international agreement other than a treaty shall become effective as internal law in the United States only by an act of the Congress, but this section shall not be construed to affect the power of the President as Commander in Chief of the Army and Navy or the United States as provided in Article II, section 2 of the Constitution, or the power of the President to receive ambassadors and other public ministers as provided in Article II, section 3 of the Constitution. The enumeration of certain powers of the President in this section shall not be construed to deny or disparage other powers vested in him by the Constitution."

Knowland has requested Brownell's views. Please let me have your comments. This language is not scholarly and net result may be that it does not curtail presidential power. However, argument can be made that presidential powers not enumerated while not curtailed otherwise are nevertheless prevented from having internal effect without act of Congress. While probably not intended by author, section probably makes executive agreements plus act of Congress equivalent of a treaty.

SMITH

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[1] Drafted by Phleger, who initialed the telegram for the Acting Secretary.

711.03/2-1054 : Telegram

The Secretary of State to the Department of State

CONFIDENTIAL PRIORITY BERLIN, February 10, 1954—noon.

Dulte 61. For Acting Secretary and Phleger from Secretary. Re Tedul 35.[1] Believe proposed amendment is something Executive could live with without serious embarrassment although doubtless Supreme Court would be very curious as to real purpose and its final verdict could not confidently be taken for granted. I feel that if this amendment could be avoided, this should be done to prevent many years of legal controversy and uncertainty. On the other hand, if political considerations seem to call for some affirmative action on the subject of executive agreements, this is probably innocuous as could be devised. However, I doubt President could affirmatively support amendment before Congress and country for if our interpretation is correct, effect too slight to justify the dignity of constitutional amendment.

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[1] *Supra.*

DULLES

711.03/2-1354 : Telegram

The Acting Secretary of State to the Secretary of State, at Berlin [1]

TOP SECRET WASHINGTON, February 13, 1954—4:19 p. m.

Tedul 47. White House staff suggests it may be possible secure agreement between Republican leadership and George group sufficient to pass amendment reading as follows and this is desirable politically:

"Section 1. Clause 2 of Article VI of the Constitution of the United States is hereby amended by adding thereto the following: 'Notwithstanding the foregoing provisions of this clause, no treaty made after the ratification of this amendment shall be the supreme law of the land unless made under the authority of the United States and in pursuance of this Constitution'. Section 2. A provision of a treaty or other international agreement which conflicts with this Constitution shall not be of any force or effect. Section 3. An international agreement other than a treaty shall become effective as internal law in the United States only by an act of Congress, but this section shall not apply to any agreement made under the power of the President as Commander in Chief of the Army and Navy of the United States as provided in Article II, Section 2, of the Constitution, or under his power to receive ambassadors and other public ministers as provided in Article II, Section 3, of the Constitution, or under any other powers vested in him by the Constitution. Section 4. When the Senate consents to the ratification of a treaty the vote shall be determined by yeas and nays, and the names of the persons voting for and against shall be entered on the Journal of the Senate."

Thought is that President will be asked whether he will support such proposal if made. Ur views are requested.[2]

SMITH

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[1] Drafted by Phleger, who initialed the telegram for the Acting Secretary.

[2] In Dulte 72 from Berlin, Feb. 14, Secretary Dulles briefly replied that he believed the new draft was preferable to that contained in Tedul 35 and that his substantive views remained as reported in Dulte 61. (711.03/2-1454)

711.03/2-654

The Legal Adviser (Phleger) to the Secretary of State, at Berlin

WASHINGTON, February 16, 1954.

DEAR FOSTER:

BRICKER AMENDMENT

1. I enclose clippings from today's *New York Times*[1] which relate to the vote of yesterday on the Bricker Amendment. The votes against the clarifying amendment would seem to be those who oppose any amendment. To them might be added Kefauver, and Wiley, and perhaps some others which adds up to quite a few.

2. Today Knowland intends to bring up clarifying amendments which would incorporate Sections 4 and 1 as sent you in my cable of the 13th.[2] I understand Ferguson intends to try to make Section 1 read: "No treaty made *after the adoption of this Constitution* shall be the supreme law of the land unless made under the authority of the United States and in pursuance of this Constitution." While this is objectionable as being retroactive, it does not appear that it would affect any existing treaties. There no doubt will be opposition to this.

3. I understand the President has said he does not intend to be drawn further into the matter, that he has made his position plain. He does not oppose an amendment which makes clear that treaties cannot override the Constitution, but he opposes anything which would cut down the traditional treaty-making power or destroy the balance of power or the President's constitutional authority.

4. Knowland and Ferguson are trying to marshal enough votes to pass the text sent you on the 13th. If they cannot get George to accept the changes in Section 3, they will try and pass an amendment consisting of Sections 1, 2 and 4.

Sincerely,

HERMAN PHLEGER

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[1] These clippings were not further identified.

[2] Tedul 47, *supra*.

Editorial Note

On February 26, 1954, the Senate, by a vote of 61–30, passed the amended version of S.J. Res. 1 as proposed by Senator George. However, on the vote to send the resolution to the states for approval or rejection, the vote was 60–31, one short of the two-thirds needed. Both Senator Knowland and Senator Millikin voted in favor of the George proposal. In his diary entry for February 27, Hagerty noted that the President was not particularly concerned about the Knowland-Millikin "shift" on the Bricker vote. Hagerty expressed his hope that the President "raises hell at the Legislative meeting" on March 1, but he also indicated that he doubted this would happen. According to Hagerty's notes on the Legislative Leaders' meeting on March 1, President Eisenhower said of the Bricker Amendment controversy, "That's over now. Let's get going. We've got a hell of a good thing to sell the country in our program.—let's get it going. I'll help any time you want me to, but I don't want to keep talking all the time, with my tongue chattering like a coffee mill." (Eisenhower Library, James C. Hagerty papers)

Eisenhower Library, Dulles papers, "Bricker Amendment"

Memorandum by the President to the Secretary of State [1]

CONFIDENTIAL [WASHINGTON,] May 26, 1954.

There is a pending motion before the Senate to reconsider the Bricker Amendment.

Several of the individuals—including Senator Ferguson—who were stalwarts in defending the Administration point of view when this matter was debated in the Senate, have reported themselves to be in some considerable political trouble in their constituencies because of the persistent belief among great portions of the public that our Constitutional system will be destroyed unless something positive is done to protect it. To this section of the public, the words "Bricker Amendment" merely epitomize their fear that something is radically wrong and must be corrected.

In this situation our friends feel that they would be vastly benefited if we could have an amendment that, while fully protecting the position and rights of the Executive, would reassure the United States as a whole public in this sensitive matter.

During the past week, Mr. Martin of my staff has kept in more or less close touch with this matter in the Senate. He has now submitted to me the attached draft of a suggested amendment which I request that you study to determine whether you believe it is acceptable from the standpoint of the Executive Branch. I should appreciate if each of the addressees named above would give me an answer on this as soon as feasible.

D.D.E.

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[1] The memorandum is also addressed to the Attorney General.

[Attachment]

Paper Prepared by the Administrative Assistant to the President (Martin)

[WASHINGTON, undated.]

Section 1. A provision of a treaty or other international agreement which conflicts with this Constitution shall not be of any force or effect.

Section 2. No international agreement other than a treaty shall become the supreme law of the land unless made under the authority of a treaty hereafter ratified or an Act of Congress enacted prior to the making of such international agreement. This section shall not be construed to deprive the President of any executive power conferred by Section 2 or Section 3 of Article II of this Constitution.

Section 3. On the question of advising and consenting to the ratification of a treaty or other international agreement the vote shall be determined by yeas and nays, and the names of the persons voting for and against shall be entered on the Journal of the Senate.

Section 4. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the legislatures of three-fourths of the several States within eight years from the date of its submission.

711.03/5-2854

Memorandum by the Secretary of State to the President [1]

CONFIDENTIAL [WASHINGTON,] May 28, 1954.

Subject: The Bricker Amendment

I have your memorandum of May 26,[2] addressed to me and to the Attorney General, with reference to the "Bricker Amendment".

The suggested amendment would not, I fear, be acceptable to the Executive. For example, it would exclude Executive agreements being effective here even if made under the authority of a present treaty. It says that they shall operate here only if made under the authority of a treaty "hereafter" ratified, thus prohibiting the making of Executive agreements to implement such treaties as those dealing with the Status of Forces, which *has been* duly ratified, etc.

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[1] A note on the source text indicates that copies of the memorandum were sent to Attorney General Brownell and Vice President Nixon.

[2] *Supra.*

A more fundamental problem seems to me to be the wisdom of opening up this question at all at this time. It would almost surely be used as a basis for a Democratic filibustering against your program. Perhaps the Democrats will themselves open up the Bricker Amendment for tactical reasons. If so, we may have to deal with it along the lines of some compromise. However, I would greatly doubt the wisdom of the Administration itself initiating a reopening of the question. An incidental consideration is that this would greatly embarrass some of our best and most loyal supporters in the Senate, as, for example, John Cooper, who has strongly fought the whole idea of a constitutional amendment.

Dick Nixon tells me that he feels that it would be a great mistake of the Administration to inject this very troublesome question into the Congress during this closing two-months' period when all efforts should be concentrated on getting your legislative program through.

It is my impression that the popular interest in the Bricker Amendment has very much died down.

JOHN FOSTER DULLES

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum by the Attorney General (Brownell) to the President

CONFIDENTIAL WASHINGTON, May 28, 1954.

This refers to your recent memorandum on the Bricker Amendment.[1] At a conference with the Vice President and the Secretary of State today, the Vice President stated that he would talk to Senator Ferguson about the proposal to reconsider the Bricker Amendment. All three of us believe it would be unfortunate to have the Administration appear to re-open the controversy, and believe that if the matter is re-opened it might well lead to a long filibuster-type debate in the Senate, which would jeopardize the passage of many important Administration measures. This, of course, may be "counsel of perfection" and I realize that there are many factors involved.

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[1] The President's memorandum of May 26 to Secretary Dulles and Attorney General Brownell, p. 1852.

In the meantime I am studying the legal aspects of the draft of the suggested amendment which you attached to your memorandum, with a view to giving you an answer as soon as possible.[2]

H.B.

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[2] No record of a further reply by the Attorney General on this matter has been found in Department of State files or at the Eisenhower Library.

Eisenhower Library, Eisenhower papers, Whitman file, Dulles-Herter Series

Memorandum by the President to the Secretary of State [1]

CONFIDENTIAL [WASHINGTON,] May 29, 1954.

In the note I wrote to you recently about the Bricker Amendment,[2] I did not mean to imply that the Administration should take the initiative in again raising this question in the Senate. My purpose is simply to guard against the possibility that the matter is brought up again and under such circumstances that we would have no position to take other than a flat negative. I believe that such a position would damage some of our best friends in the Senate for the simple reason that far too many people believe—erroneously it is true—that some kind of positive action must be taken if the Constitutional provisions are to be rigidly observed in the treaty-making process.

D.D.E.

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[1] The memorandum is also addressed to the Attorney General.

[2] The President's memorandum of May 26, p. 1852.

Editorial Note

On August 5, 1954, shortly before the 83d Congress adjourned, Senator Bricker introduced a new amendment, S.J. Res. 181, which combined elements of the various texts rejected in February. The 83d Congress adjourned without acting on S.J. Res 181.

On November 5, 1954, Senator Bricker, prior to departing for a trip to India and Australia, came to the White House for a talk with President Eisenhower. Later that day, President Eisenhower described their conversation in a telephone call to the Secretary of State. According to the President, Senator Bricker had "talked nicely" about the Bricker Amendment. The President had told the Senator that it was foolish to have months of quarreling and had expressed his disapproval for what had gone on in the past. Senator Bricker had replied that the country needed and wanted such an amendment. President Eisenhower had then said that when

Senator Bricker returned to the United States, he would sit down with the Senator, the Secretary of State, and the Attorney General and discuss the matter. According to the President, he had told Senator Bricker that he had always been willing to say he would obey the Constitution, but he would not be a party to damaging or lessening the executive authority below that intended by the Constitution. (Memorandum of telephone conversation between President Eisenhower and Secretary of State Dulles, November 5, 1954, 4:54 p.m., Eisenhower Library, Dulles papers, "Telephone Conversations")

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